

# BUSINESS WEEK

BUSINESS  
INDICATOR



**STREET SCENE**—Spanish Left and Right fight it out behind barricades—the prelude to a world problem which means orders for armament makers but instability for business abroad.

McGRAW-HILL  
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## ...WORKIN' ON THE RAILROAD

•Track spikes, tie plates, guard rails, fence posts, track bolts, sectional plates, engine bolts, rivets, concrete reinforcing bars—these and many other products made of Republic's fine quality carbon steels are working for the railroads of America—and are giving a good account of themselves.

Republic takes pride in the quality of its carbon steel and conventional tonnage products. They are backed by the same metallurgical skill, the same insistence upon doing things well, that have made Republic's special alloys so widely and so favorably known.



### REPUBLIC STEEL CORPORATION

GENERAL OFFICES: REPUBLIC BUILDING, CLEVELAND, OHIO



*Approximately forty cents out of every dollar that Republic Steel takes in, is redistributed in the form of wages among 47,000 employees in thirty-nine plants in twenty-seven different cities. These employees, with their immediate families, number close to 200,000 people, who through their individual purchases help to support thousands of others in their respective communities.*

When writing Republic Steel Corporation for further information, please address Department BW.

Enduro, the perfected stainless steel—Toncan, the rust-resistant iron for culverts and many other uses—the new Double Strength steel—the famous Agathon alloys—Electric Weld pipe—and many other Republic products—are helping in the development of industrial America.

But in the years ahead, steel will be used in ways undreamed of today. And Republic, with its wide experience in serving scores of different industries—with its alert, nation-wide organization, is prepared to serve industry today—and tomorrow—capably and quickly.

BUSINESS WEEK

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AUGUST

## New Business

PRESTON S. ARKWRIGHT, president of Georgia Power Co., doesn't take government competition lying down—either TVA rates or REA line building. Hence the new Georgia Power three-year building program which contemplates the construction of 3,000 miles of wiring that will carry current to 5,000 consumers over 1,026 separate rural lines.

Bossy, the cow, threatens to come into competition with the cotton boll, the silk worm, and rayon. Textile researchers are exploring the possibilities of casein fibers. Building of the market would be welcomed by the dairy industry since the use of skimmed milk for casein yarns would help bring this product in line with butter fat demand. Scoffers are apt to jeer because "casein wool" lacks strength when wet. But the Italians improved their casein fibers under the sanctions threat. Weaknesses may be overcome here, as they were in cellulose filaments.

With orders on hand for 500 automobile box cars for the Pere Marquette Railroad, 800 box cars for the Norfolk & Western, 500 for the Wheeling & Lake Erie, and 100 for the Chesapeake & Ohio, the Ralston Steel Car Co. will resume operations next week at its East Columbus, Ohio, plant on a scale that will guarantee employment for the rest of the year to 700 workmen after two years of enforced idleness. President Frank A. Livingston says that with the exception of an order for 750 cars in 1934, this is the only real business that has been in the shop since 1930.

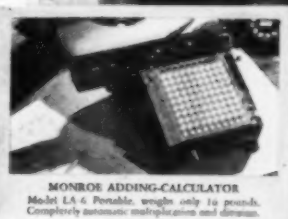
For three years the Ever Ready Label Corp. has been trying to sell the New York Telephone Co. on the idea of using a different type of cover stock on the familiar Red Book Classified Directory. At long last it has succeeded. The forthcoming issue will be bound with a white stock imprinted with red and this will permit Ever Ready, a consistent back cover advertiser, to present its sales message in four colors, red, bronze, blue, and black, against a white background. Ever Ready has celebrated by staging a contest to select the best ad for its colorful new bow.

While tin has moved in on glass at several points in the container field, glass is in turn extending its markets. Ships are using fibrous glass as insulation against temperature, noise, and vibration. This will be a feature of the new naval vessels.

The motoring tax-worm will turn to avoid a town where there is a local levy on gasoline. Three towns in Missouri and four in Florida recently killed their gas taxes when revenue fell short of expectations and hotels, restaurants, and service stations inside the city set up a howl about tourists filling their tanks before they got to town and sailing through without stopping.

PRESIDENT WILLIAM O'NEIL of the General Tire & Rubber Co. thinks that the most essential thing in selling is a good product that meets a real need, that other so-called selling aids sometime make a salesman forget his most valuable ammunition. To the New York Sales Executive Club he put it this way: "Too much emphasis is being

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## THE FOUNDATION OF BUSINESS FIGURING

*Yet it takes no more desk space than a letterhead*

Business is completely dependent on a steady, speedy flow of accurate figures. Monroe's entire function for twenty-four years has been to keep business figures moving simply, quickly, accurately, and at the lowest cost.

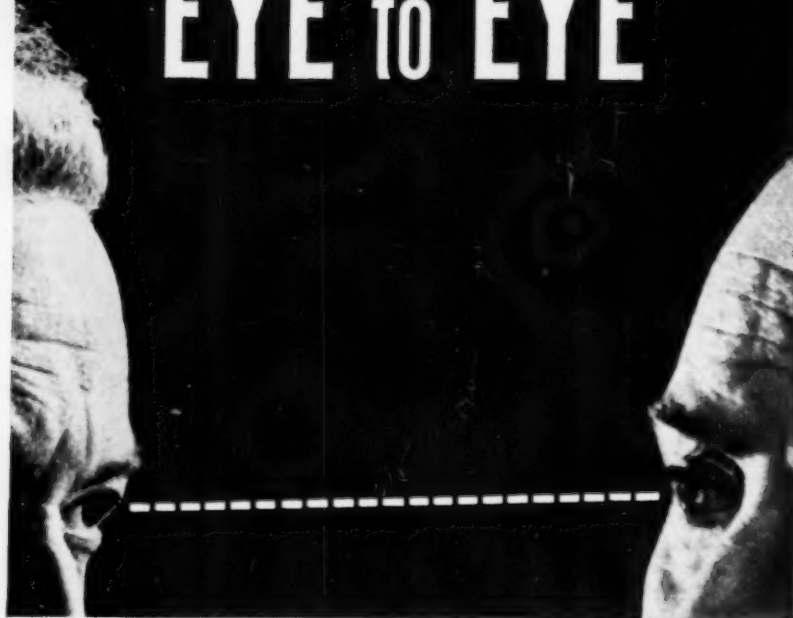
The expanded Monroe line includes among its 197 models a machine for every figuring need—adding-calculators, adding-listing and bookkeeping machines, check writers and signers. Every Monroe is compact for desk use, sturdy for years of service, yet light enough to carry from desk to desk.

"Velvet Touch" keyboard is an exclusive feature of every Monroe. The operation is feather-light, to take the strain from figuring, for 80% of all the work is on the keyboard. Whether you own one Monroe or a hundred, you are assured of uninterrupted figure production by the nation-wide service of 150 Monroe-owned branches from coast to coast. Try a "Velvet Touch" Monroe on your own figures. Call up the nearest Monroe branch or write to the factory. Send for a free copy of the booklet, "If Only I Could Work on Your Desk for an Hour."

**MONROE CALCULATING MACHINE CO., Inc.**  
ORANGE, NEW JERSEY



# Sales and advertising executives see EYE to EYE



## They agree "Where to Buy It" Service helps turn prospects into customers

**Advertising Manager:** "We list our trade mark and dealers in the classified telephone directory. Our consumer advertising refers to this list. Prospects can easily find where to buy our product."

**Sales Manager:** "Many sales have been directly traced to this telephone book service."

Manufacturers of consumer merchandise—such as General Electric, Philco, Willard—have proved the value of this dealer identification service. Makers of industrial products, such as Hewitt Rubber and Boston Gear, find that it applies equally to them.

Let us show you how "Where to Buy It" can increase your sales.

**CLASSIFIED TELEPHONE DIRECTORY**

**Mimeograph Machines and Supplies**

All Mimeographs and Mimeograph supplies, including Mimeograph Ink, etc. sold only by the following authorized dealer.

**"WHERE TO BUY IT"**

**WEEKER A & CO.**  
Mimeographing  
Barton Business Service 60 Broad St. (n) 2-2930  
Enterprise Letter Service 216 Wm. St. (n) 6-4673  
WEEKER MIMEOGRAPHIC SERVICE 216 Wm. St. (n) 6-4673  
Star Letter Shop 231 E. 1st St. (n) 6-3263

**ADVERTISEMENTS.**  
Clinton G. De Witt 324 Wm. St. (n) 6-4673  
By Stephen Jackson 216 Wm. St. (n) 6-4673  
Hartman Co. 216 Wm. St. (n) 6-4673

**AMERICAN TELEPHONE & TELEGRAPH CO.**  
Trade Mark Service Division

195 Broadway, New York (EXchange 3-9800) 311 W. Washington, Chi. (OFFicial 9300)

A TYPICAL "WHERE TO BUY IT" LISTING IS SHOWN ABOVE

placed today on the advantages of long-term credit and easy payments, and the fundamental importance of quality in merchandise is being lost sight of.

"BRIGHTEN the corner where you are" might be the theme song of the new Stanley screw driver. It is a combination of screw driver and flashlight. Repair and service men of all sorts will find it handy as a revealer of darkened screw heads. Its novelty and utility are expected to make it a good premium item.

THE National Retail Dry Goods Association has just issued this week its 1935 analysis of publicity expenses (price to non-members, \$2.00) which tells how much department stores of various sizes spent for advertising, where they spent it, how they checked results, what they paid for services and supplies, what they did about advertising allowances, and so on through the whole list of publicity functions.

A FAMILIAR complaint of railroads is that they have to keep up their right-of-way while competing trucks use the public highways. But Percy F. Arnold, past-president of the Rhode Island Truck Owners Association, retorts that road haulers pay plenty for the privilege. He estimates that in his state a 5-ton for-hire truck traveling 100 miles daily pays \$346 annually under 14 federal, state, and local levies. This doesn't include the state corporation or federal income tax which take a cut on profits, if any.

CALIFORNIA has drawn a lesson from the overthrow of AAA and the ensuing tangle over processing tax refunds, windfalls, etc. Big industry, as a precaution, is withholding payments running into millions under the state Unemployment Reserve Act. Prime movers are department stores, oil companies, and leading industrials, which explain that they will impound payments until they get a court ruling on the law's constitutionality.

FUEL oils are destined to take an increasing percentage of crude petroleum production. The Oil Burner Institute estimates potential future demand for domestic and industrial combustion at 450,000,000 bbls. annually. At the 1929 peak, consumption was about 282,500,000 bbls. Promise of the home market for furnace and range oil is most striking. Heating oil sales were estimated at 76,000,000 bbls. in 1934. This can be doubled by selling 25% of the "prime" oil burner prospects which is about 10% of the possible market.

ARE workers who earn part of their living in a factory and part on subsistence homesteads happier and financially better off than those wholly dependent on factory income? B. D. Hummel, rural sociologist of the Virginia Agricultural Extension Division, and P. G. Craddock of Virginia Tech. have set out to answer the question for Virginia authorities. They are surveying part-time workers in seven counties whose employment covers everything from shipbuilding to mining.

EASTMAN KODAK Co. is marketing a projection machine designed to simplify and condense bulky files of newspapers and records. Each page is photographed on 35 millimeter film, then enlarged to reading size by the projector. By use of this principle 850 pages of newspaper can be transferred and filed in a can 3 1/2 x 3 1/2 x 1 1/2 inches.

JAY HORMEL, president of George A. Hormel & Co., would go NRA one better in increasing pay and decreasing hours. The new Hormel plan, which manufacturers are urged to adopt voluntarily, calls for a blanket wage increase of \$8.00 a week, a minimum of \$4.00 a day for unskilled labor between the



ages of 18 and 60, and a flat 36-hour week. Mr. Hormel estimates that the general adoption of his proposals throughout all industry would mean an increase of \$280,000,000 a week in payrolls and the re-employment of ten million men.

The attaching of a brassiere to a corset for purposes of beautification or compression does not constitute a patent. So rules the latest U. S. Court of Appeals. Loebner Corset Co., of Cleveland, produced a corset with brassiere attached. Gossard sued, alleging patent infringement. The lower court ruled for Gossard but Loebner won the appeal. The higher court said the sewing of "bra" to corset is merely an exercise of the corsetier's skill, does not constitute a patent.

"TERMITTS in this Country"—what they are, what they do, and what can be done about it—has been compiled from government and trade records by the America Fire Insurance and Indemnity Group and is distributed without charge.

THE hand that rocks the cradle also moves the Buick. So says the Howard Automobile Co., Buick Los Angeles distributor, which has enlisted salesmen's wives in a well-planned new prospect campaign. The Howard Co. has it figured that wives can get in to bridge clubs, beauty parlors, country clubs and lots of other places where salesmen fear to tread and where new car buying plans are glibly, even ostentatiously, discussed.

A new spectrophotometer which enables the eye to "see" impurities in various metals has been announced. It looks like a small telescope with a bend at the end. In operation, the eye compares a known color with that of the unknown substance. Before examination the subject matter is dissolved in acids or other solutions so that their colors are made visible. The device was invented by Prof. A. C. Hardy, of the Massachusetts Institute of Technology.

ANYBODY who doesn't believe there is private mortgage money to be had should study the Bank of America's drive on the Pacific Coast. And not only is the money available, but the bank has forsaken old methods in looking for borrowers. Large newspaper space heralds "a new radio treat—a new musical thrill" in the "House of Melody" program; copy reveals that listeners may have a "free copy of Bank of America's beautiful home plan book."

ON ONE pound of coal a modern freight locomotive can haul 8 1/3 tons one mile. This represents a 44% increase in fuel efficiency since 1920. Factors are: new construction in locomotives, easier rolling freight cars, scientific adaptation of grades of coal to the particular requirements of the particular locomotive.

THE Tin Can Tourists of the World, an organization said to be ten years old, will hold its annual summer reunion this month at the Erie County Fair, Sandusky, O. The "tin can" sobriquet refers not to the tourists' motor vehicles, but to the kind of food they eat. The nutriment comes out of cans. And the trailer industry has given a tremendous boost to the sales of canned foods.

PRESSURE of the times appears to be making realists out of school children. Evidence of the trend is found in a report by Geo. J. Zehrung, director of distribution for the motion picture bureau of the Y.M.C.A. national council. Formerly school kids demanded stories in the educational pictures shown them. Now stories are out; concise information on practical subjects is required. A popularity test in this field shows that travel and health films lead with 35% of total orders. Industrial subjects follow with 25%.



# Famous

## GOVERNMENT BUILDINGS

### STURTEVANT AIR CONDITIONED



- ★1. The magnificent new Department of Justice Building...with one of the world's largest complete-air-conditioning installations for comfort purposes.
- ★2. The huge new House of Representatives Office Building.
- ★3. The Federal Warehouse.
- ★4. Library of Congress.
- 5. Annex to Library of Congress.
- 6. Department of Agriculture.
- 7. U. S. Archives Building (addition).
- 8. Federal Reserve Bank Building.
- 9. Bureau of Engraving and Printing Building.
- 10. Home Owners Loan Corp. Building.

- 11. And the \$9,250,000 new Department of Interior Building...with its 1920 tons of refrigeration...where 2 million cubic feet of conditioned air will be handled per minute.

For these and other government buildings in the nation's capitol, Sturtevant Air Conditioning Apparatus was the choice.

★ Air Conditioning Systems engineered and installed by Sturtevant Cooling & Air Conditioning Corp., subsidiary of B. F. Sturtevant Co., in cooperation with consulting engineers and government engineering offices.

**B. F. STURTEVANT COMPANY**  
Main Office: Hyde Park, Boston, Mass.  
Sales Offices in 40 Cities. Plants at Hyde Park, Mass.; Framingham, Mass.; Camden, N. J.; Sturtevant, Wis.; Berkeley, Cal.; Galt, Ont. B. F. Sturtevant Company of Canada, Ltd. Galt, Toronto, Montreal.

# Sturtevant

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## Puts Air to Work

WORLD'S LARGEST MAKERS OF AIR HANDLING AND CONDITIONING EQUIPMENT



# A Distinguished Clientele

**ALDEN PARK**  
Apartment Homes

**ALLIANCE INSURANCE CO. OF PHILA.**  
Fire, Marine, Automobile Insurance, etc.

**AMERICAN KITCHEN PRODUCTS COMPANY**  
Steero Bouillon Cubes

**AMERICAN MAIZE-PRODUCTS COMPANY**  
Maize Salad Oils, Syrups and Starches

**AMERICAN WOOLEN COMPANY, Incorporated**  
Woolen Fabrics

**BLUE BELL IMPORTING COMPANY**  
Vickers' Gin and Wm. Penn. Whiskies

**BRIDGEPORT BRASS COMPANY**  
Brass Pipe, Copper Tube, Non-Ferrous Alloys

**BROOKS BROTHERS**  
Men's Clothing, Furnishings, Hats & Shoes

**CENTRAL FIRE INS. CO. OF BALTIMORE**  
Fire, Marine, Automobile Insurance, etc.

**C. W. DAVENPORT**  
Molinelle (London) Perfumes

**THE DELAWARE-NEW JERSEY FERRY CO.**  
Pennsville-New Castle Automobile Route

**DENNEY & DENNEY**  
Toilet Preparations

**DORRANCE & COMPANY**  
Books

**THE JOHN EICHLER BREWING COMPANY**  
Beer

**THE ELECTRIC STORAGE BATTERY CO.**  
Exide Batteries

**FOLLMER, CLOGG & COMPANY, INC.**  
Umbrellas, Parasols and Canes

**FOWNES BROTHERS & CO.**  
Gloves

**FRANKLIN TILE COMPANY**  
Tiles and Bathroom Accessories

**L. H. GILMER COMPANY**  
Industrial Belting

**WM. H. HORSTMANN COMPANY**  
Columbia Yarns and Art Needlework

**INDEMNITY INS. CO. OF NORTH AMERICA**  
Fidelity and Surety Bonds, Casualty Insurance

**INSURANCE COMPANY OF NORTH AMERICA**  
Fire, Marine, Automobile Insurance, etc.

**KEASBEY & MATTISON COMPANY**  
Asbestos Products and Brake Linings  
Bromo-Caffeine

**KEYSTONE LUBRICATING COMPANY**  
Industrial and Automotive Greases

**LARGMAN, GRAY & COMPANY**  
Blue Moon Silk Stockings

**MACFADDEN PUBLICATIONS**  
Liberty Magazine

**THE MERCIREX COMPANY**  
Germicidal Soap and Ointment

**NATIONAL SECURITY FIRE INSURANCE CO.**  
Fire, Marine, Automobile Insurance, etc.

**O'SULLIVAN RUBBER CO.**  
O'Sullivan's Rubber Heels and Soles

**PENNSYLVANIA SALT MANUFACTURING CO.**  
Heavy Chemicals

**PHILADELPHIA FIRE & MARINE INS. CO.**  
Fire, Marine, Automobile Insurance, etc.

**PHILADELPHIA LAWN MOWER CO., INC.**  
Lawn Mowers

**REAL ESTATE TRUST COMPANY OF PHILA.**  
Banking Service

**A. H. RICE COMPANY**  
Sewing Silks and Braids

**P. J. RITTER COMPANY**  
Catsup, Beans, Sauces, Spaghetti, Tomato Juice

**W. A. RUSSELL & CO.**  
Air and Vacuum Valves

**SCHIEFFELIN & CO.**  
Dagger Rum  
★★★ Hennessy Cognac Brandy  
Old House Bitters  
Sunfoe (sunburn preventative)  
Teacher's "Highland Cream" Scotch Whisky

**WM. SIMPSON, SONS & CO., INC.**  
Cotton Fabrics

**STEHLI & CO., INC.**  
Dress Fabrics

**J. P. STEVENS & CO., INC.**  
Hockanum Woolens

**TUBIZE CHATILLON CORPORATION**  
Chardonize and Tubize Rayons

**VIRGINIA FERRY CORPORATION**  
Cape Charles-Little Creek Automobile Route

## GEARE-MARSTON INCORPORATED Advertising

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# Washington Bulletin

WASHINGTON (*Business Week Bureau*)—Roosevelt expects to come back as business does. Any punctures along way resulting from drought damage can be repaired with government funds, but old H. C. of L. has thumbed ride, and that complicates matters from political point of view. His tentative move to foster consumer co-ops has fallen pretty flat; program has appeal to some groups but no real punch. Normally slow growth of cooperative movement doesn't serve President's purpose and doesn't suit his own temperament.

## Oily Politics

Oil price conspiracy investigation resulting in indictment of big Midwest refining companies this week is characteristic pre-election posturing for political effect. Nothing else can explain Administration's repudiation now of business policies encouraged under NRA. That Oil Administrator Ickes may have been offside in nurturing such policies is ignored in attempt to show up oil as wicked industry. Significantly, candidate Landon made his money out of oil. Move also puts Landon's anti-monopoly declaration to work in his own back-yard.

## Power Appeal

Roosevelt's build-up of grandiose power ideas assuming a mutual interest by United States and Canada in St. Lawrence and Quoddy projects is simply attempt to bomb congressional blockade by public sentiment. Incidentally, Democrats' revival of *Portland Evening News* for duration of campaign will give Quoddy its own newspaper, but such tactics scarcely square with New Deal's professed anti-propaganda attitude in the case of the utilities.

## No Dust in Their Eyes

Farm income up \$335,000,000 in first half of year will more than offset drought losses, according to AAA and Agriculture Department officials who refuse to let dust storms cloud their rose-colored glasses.

## Sizing Up Drought

Cattle purchase program will be held to minimum—less than 10% of 1934 slaughter is Wallace's guess. Favorable factors in present situation, as compared with last dry period: Later occurrence of drought conditions and smaller area of intensity, better condition of animals due to mild winter, lower average age of herds, greater holdover of feed. Chief unfavorable factor is scare publicity boosting feed prices; hence federal inquiry into speculation.

## LEWIS MARCHES ON

*Struggle for supremacy between industrial and craft unions will go on regardless of this week's suspension of 10 unions in Lewis' Committee for Industrial Organization, effective in 30 days. Question of suspension or eventual expulsion of C.I.O. unions at A. F. of L. convention in November is now important mainly to Federation and Green. Whether Lewis is technically inside or outside A. F. of L. is of little moment to his ambitions. All industry is his battleground.*

## Too Many Cooks

Difficulty of President's drought committee in drafting long-term adjustment program is its make-up. Prima donnas like Tugwell are plugging their own stuff. Features given most weight in attempt to set up coordinated direct-action plan will depend upon influence exerted on President by individual members. More talk of pushing tree belt doesn't inspire optimism.

## Ickes Forces PWA Issue

Another showdown on public works is coming, forced by insubordination of Ickes, who predicted this week that President's hardboiled policy will force program on rocks in many states. No "out" for President, short of paring down \$300,000,000 fund to paltry sum or backing down on rule that 100 per cent relief labor be employed.

## Corporate Tic-Tax-Toe

Harbinger of better business is optimism of corporations evident in higher declarations of capital stock valuation. In anticipation of substantial profits in next few years, many are willing to pay more capital stock tax now in order to reduce or avoid heavier excess profits levy later.

## To Insure Big Deposits

Large profit shown by FDIC does not presage reduction in assessment rate on insured banks. Instead, corporation will propose legislation extending insurance to deposits over \$5,000 as considerable proportion of

losses has been borne by accounts not covered by insurance, and big money is flowing to New York, where there is no question of safety.

## Offer Falls Flat

Investors have given Commodity Credit Corp. notes well-known go-by. Offered July 13, \$150,000,000 issue, bearing skimpy rate of  $\frac{1}{2}\%$ , has gone begging. Only \$71,440,000 were purchased by 105 banks and trust companies. But RFC stands by to take up the issue if need be.

## Eastman ICC Berth Sure

Unhorsed as Coordinator of Transportation last June, Eastman's term on the ICC expires Dec. 31. Truckmen will unite to demand his reappointment, railroads will divide. Originally appointed by Wilson and continued in office by Harding and Hoover, Eastman is sure to keep his post, regardless of election outcome.

## Truck and Bus Loans

Truck and bus lines may now borrow from the RFC for new equipment, with latter as security. Loans are not restricted to carriers subject to ICC's jurisdiction but if they are, Commission must approve loans. No credit is available to intra-urban companies.

## Half a Mill Lower

Lightweight diesel-electric trains win out over crack steam trains in ICC report this week showing average total direct cost half a mill lower per seat-mile. But costs vary on individual trains, and other factors must also be considered in weighing advantages of each type of equipment. Findings not really conclusive as they cover only 3-month period of operation.

## Prosperity Recipe

Like the conquered Ethiopian, Major George Berry still fires a shot now and then in his capacity as Coordinator of Industrial Cooperation. Latest is bland suggestion that typographical industries, since they cannot employ more men, should raise wages to spread prosperity.

## Reciprocity Paying Out

Hull brand of reciprocity is justifying theory that if hole can be punched in foreign trade dikes, commerce flood will sweep away barriers. Agreement with Belgium has already brought us lower duties in Italy on borax, rayon, silk, and sheet-metal for autos. Pol-lenizing effect on trade with other countries is only beginning, with exception of Germany. Barred from most-favored-nation policy by its own economic acrobatics as world's debtor, Reich is still soft spot in our trade abroad.



# OLD DOGS CAN LEARN NEW TRICKS



*Age has nothing to do with the ability to learn. A recent test among two groups of men—one group in the twenties and the other in the forties—in the mastery of a*

technical course revealed a distinct advantage in favor of the older group. The explanation for this difference was, perhaps, that the older group realized more fully the necessity of mastering the course.

Modernization of training is a major problem facing American industry today. And the systematic elimination of older men in favor of younger men is no solution to this problem at all. The advantages of youth are greater enthusiasm and greater vigor. When these advantages express themselves in obsolete methods of doing things, these natural advantages become greater economic disadvantages, that's all.

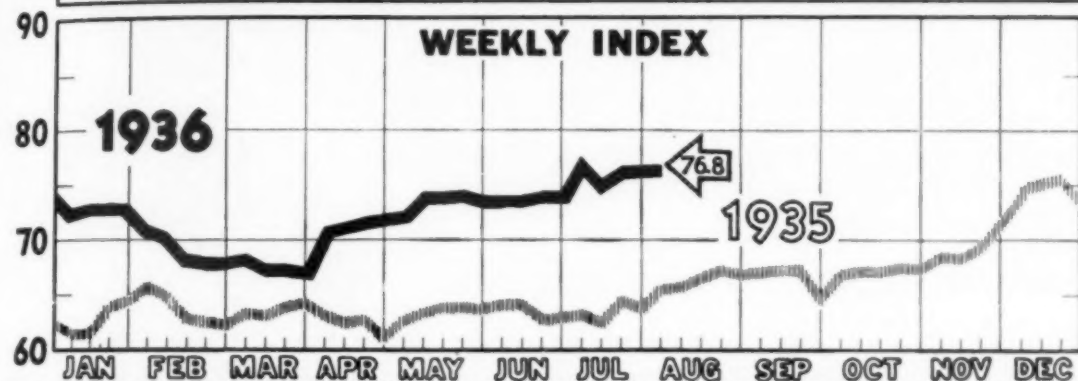
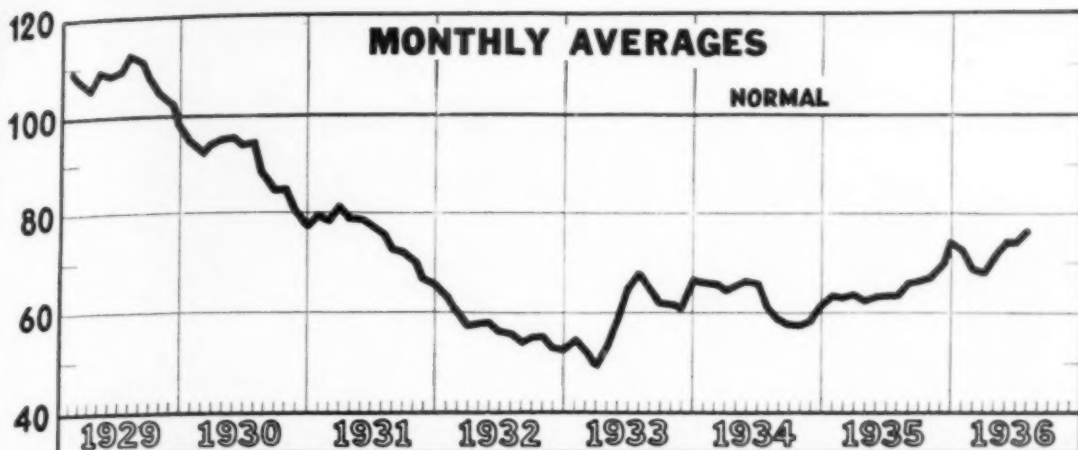
The truth is, today any business faced with the problem of personnel modernization must realize the need of modern training for all ages and classes of employees, in order to achieve the desired results. *Modernization must be an organization-wide program.*

Here, in these organization-wide programs, the International Correspondence Schools offer the most comprehensive and modern means of training available anywhere. Over 2400 leading American industries have realized this fact and have working agreements with this 45-year-old institution. These industries help make available to their employees training *on the job*—training which reflects itself in the personal progress of employees and in the profit statements of the concerns. Executives are invited to ask for our free book, "The Business of Building Men," and should address their requests to Scranton, Pennsylvania. Employees are also invited to ask for information.

## INTERNATIONAL CORRESPONDENCE SCHOOLS

SCRANTON NEW YORK CHICAGO WASHINGTON SAN FRANCISCO ST. LOUIS LOS ANGELES BOSTON PHILADELPHIA  
MONTREAL LONDON SYDNEY MADRID SHANGHAI HAVANA MEXICO CITY HONOLULU BUENOS AIRES MANILA CAPE TOWN

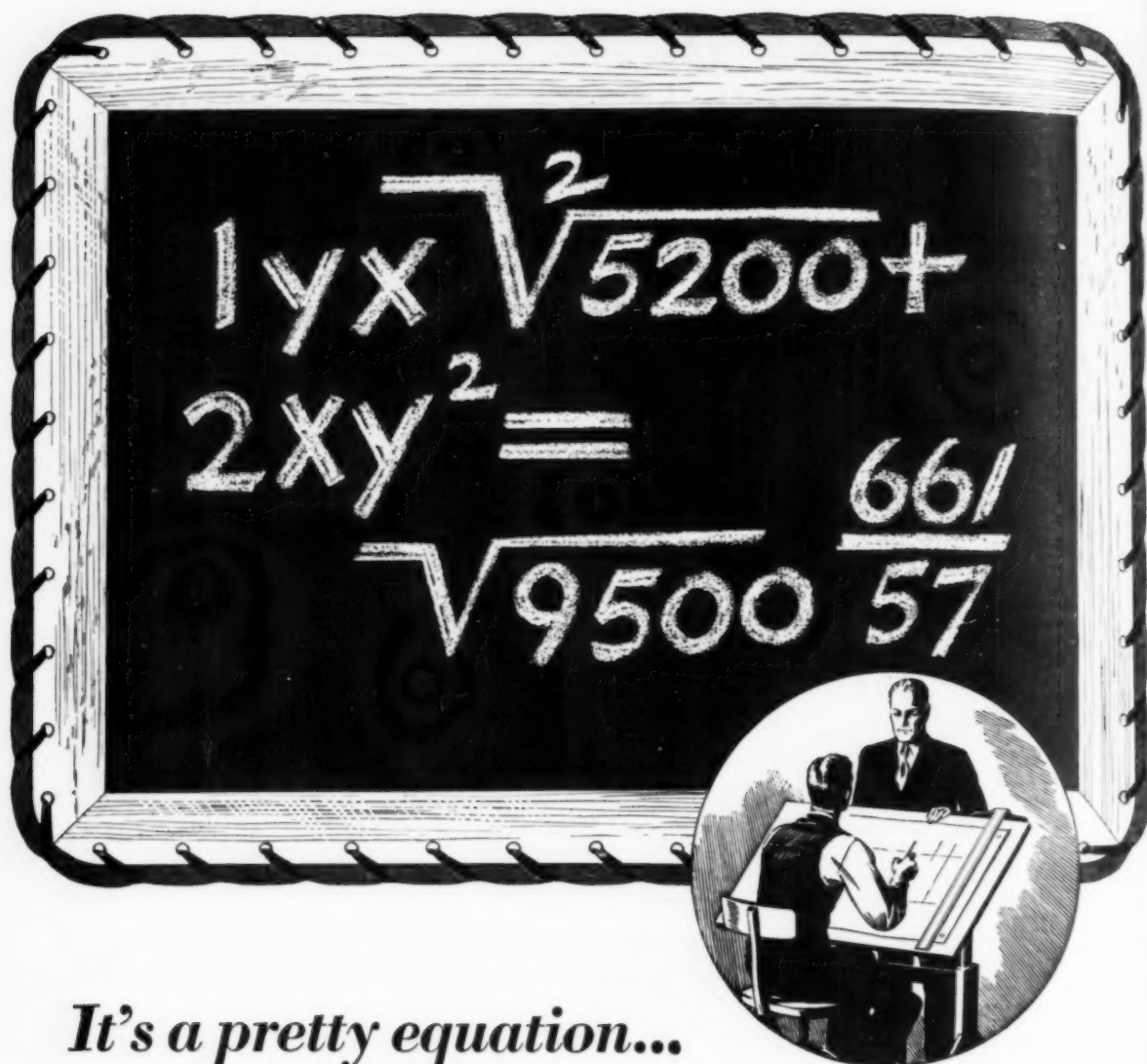
# BUSINESS WEEK'S INDEX OF BUSINESS ACTIVITY



	Latest Week	Preceding Week	Month Ago	Year Ago	Average 1931-35
<b>BUSINESS WEEK INDEX</b> . . . . .	*76.8	76.7	74.3	65.4	64.5
<b>PRODUCTION</b>					
*Steel Ingot Operation (% of capacity) . . . . .	71.4	71.5	67.2	46.0	34.6
*Building Contracts (F. W. Dodge, daily average in thousands, 4-wk. basis) . . . . .	...	\$9,763	\$8,580	\$5,679	\$6,334
*Bituminous Coal (daily average, 1,000 tons) . . . . .	*1,217	1,176	1,150	1,052	1,021
*Electric Power (million kw.-hr.) . . . . .	2,079	2,088	1,956	1,821	1,645
<b>TRADE</b>					
Total Carloadings (daily average, 1,000 cars) . . . . .	122	120	119	99	104
*Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars) . . . . .	75	74	75	64	67
*Check payments (outside N. Y. City, millions) . . . . .	\$3,846	\$4,212	\$5,171	\$3,943	\$3,305
*Money in Circulation (Wednesday series, millions) . . . . .	\$6,123	\$6,153	\$6,250	\$5,518	\$5,342
<b>PRICES (Average for the Week)</b>					
Wheat (No. 2, hard winter, Kansas City, bu.) . . . . .	\$1.17	\$1.11	\$1.00	\$1.06	5.78
Cotton (middling, New York, lb.) . . . . .	12.91¢	13.12¢	12.71¢	11.93¢	9.97¢
Iron and Steel (Steel composite, ton) . . . . .	\$33.72	\$33.51	\$33.48	\$32.50	\$30.87
Copper (electrolytic, Connecticut Valley basis, lb.) . . . . .	9.750¢	9.750¢	9.500¢	8.000¢	7.759¢
All Commodities (Fisher's Index, 1926 = 100) . . . . .	83.7	83.2	83.1	82.9	72.1
<b>FINANCE</b>					
Total Federal Reserve Credit Outstanding (Wednesday series, millions) . . . . .	\$2,460	\$2,466	\$2,473	\$2,465	\$2,104
Total Loans and Investments, Fed. Res. rep't'g member banks (millions) . . . . .	\$22,378	\$22,446	\$22,619	\$19,845	\$19,394
*Commercial Loans, Federal Reserve reporting member banks (millions) . . . . .	\$5,121	\$5,129	\$5,141	\$4,735	\$5,800
Security Loans, Federal Reserve reporting member banks (millions) . . . . .	\$3,173	\$3,219	\$3,319	\$3,076	\$4,345
Brokers' Loans, Federal Reserve reporting member banks (millions) . . . . .	\$1,127	\$1,165	\$1,226	\$995	\$1,007
Stock Prices (average 100 stocks, <i>Herald-Tribune</i> ) . . . . .	\$121.24	\$121.52	\$117.46	\$104.06	\$99.54
Bond Prices (Dow, Jones, average 40 bonds) . . . . .	\$103.61	\$103.61	\$102.66	\$96.78	\$89.72
Interest Rates—Call Loans (daily av'g, renewal) N. Y. Stock Exchange . . . . .	1%	1%	1%	1%	1.2%
Interest Rates—Prime Commercial Paper (4-6 months) N. Y. City . . . . .	3/4%	3/4%	3/4%	3/4%	1.5%
Business Failures (Dun and Bradstreet, number) . . . . .	175	141	162	197	369
*Factor in Business Week Index *Preliminary †Revised.					

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Business Week



*It's a pretty equation...*

# but can it earn its living?

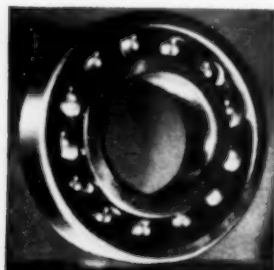
The discovery of an engineering principle is often considered a final achievement. Not so at New Departure. There the aim is to find how best to put such a principle at the service of industry.

New Departure's constant search for improvement, its creative engineering, has been of major importance

to many manufacturers, will be to many more.

The New Departure Manufacturing Company, Bristol, Connecticut. Engineering staffs also at Chicago, Detroit, San Francisco and London.

**Also makers of TRANSITORQ**  
a million speeds at the touch of a finger



*Nothing Rolls like a Ball*  *No Other Form so Strong*

# NEW DEPARTURE

## THE FORGED STEEL BEARING

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# The Business Outlook

ALL the dire predictions of a slump in business activity this summer have gone by the boards. If August witnesses any slackening, it should be a mild one. Backlogs in most industries are sufficiently large to insure a good pace right through the third quarter, normally the quiet months of the year. Most producers are more concerned about getting out business already booked than about any lag in new orders. This is particularly true in steel, machine tools, and rayon.

The drought is no doubt the biggest blot on the business horizon at the moment, but even here the deterring effects on trade in some localities are likely to be offset by gains in other regions. Farm machinery companies are reported to be keeping an anxious eye on sales in stricken states, and wire and can companies are a bit cautious. Tanners feel confident that the cattle buying program won't amount to much this year, and therefore have no fear of excessive supplies glutting the market, with the customary accompaniment of price slashing. Motor companies are inclined to dismiss the drought with a shrug, saying that sales in the most devastated states never did turn the tide of national sales, and so far are holding above last year anyway.

## Epochal Month for Cotton

August not only marks the beginning of the usual nation-wide home furnishing promotions in retail stores which promise to roll in the biggest volume of business in at least six years, but is a particularly auspicious month for the cotton market. The current month ushers in the new crop year which brokers herald as the first under which markets will be free from governmental influence since before the days of the Farm Board. With the government out of the futures market, and holding reduced quantities of spot that will be held off the market in the first five months of the new crop year, cotton prices will fluctuate again under the old law of supply and demand.

## Textile Buyers Hold Off

Cotton prices tended to sag as brokers awaited the first crop estimates issued Aug. 8, so textile buyers decided to lie low on additional purchases for the time being. Mills, however, have substantial orders on hand and feel confident that buying will soon be resumed at a better pace.

## Silk Makes a Comeback

Silk markets which have been in the doldrums for some time as rayon moved into the limelight staged a recovery in both demand and prices last month. July deliveries were the best

## THAT TRAILER BUSINESS

*Motor companies are watching the growth of the house trailer industry with considerable interest as a possible new field for them. With the public becoming more travel conscious each year, it seems to the motor crowd that the trailer business will prove increasingly important. Most trailers are built of wood, but at least one company is now building a steel-frame trailer of about the same weight and cost as wood.*

since January though still below those of last year. Broad silk weavers, knitters, and thrown silk weavers continued to hold aloof from the market, however, awaiting a price reaction, despite the low level of stocks.

## Rayon Yarn in Demand

Rayon yarn producers are sold up solid through September, with consumers clamoring for deliveries and prices stiffening. Du Pont's announcement that it was eliminating quantity discounts on all yarns shipped after Sept. 31 in compliance with the Robinson-Patman Act will provide another excuse for millmen to mark up cloth prices. However, the rest of the industry is not following the du Pont lead with alacrity.

## Heat Helps Beer Sales

Hot weather has proved a boon to the sale of beer. June sales were 29% greater than those of a year ago, bringing the first half of 1936 almost 19% ahead of comparable months of 1935. If the pace holds, brewers think 1936 will be a 53,000,000 barrel year.

## Prices of Newsprint

Hopes that newsprint prices for 1937 contracts would be advanced from \$3 to \$5 a ton were tempered

this week by the announcement that Great Northern Paper Co., largest American producer of newsprint, would book business at a \$1.50 advance, delivering in New York at \$42.50 per ton. Because American producers are not able to fill more than a small part of the total demand for newsprint, Canadian mills may attempt to get a somewhat better boost. Newsprint buyers are putting up strong opposition to the higher price proposals.

## Heavy Industries Are Strongest

This summer's unusual strength in business activity comes largely from the heavy industries. In June, the New York Reserve Bank's index of the production of producers' goods reached 83% of normal, topping that of consumers' goods which stood at 81%, for the first time since June, 1933. Among 543 manufacturers in 15 industries, the biggest gains over June a year ago were in iron and steel with 72%; stone, clay, and glass with 58%; forest products with 54%; machinery with 41%.

## Same Among Distributors

Among wholesalers and retailers, a similar situation is observable. Among 1,090 wholesalers in 19 industries, the best gains over June, 1935, were in such branches as plumbing and heating equipment with 61%, lumber and building materials with 48%, and metals with 45%. Retailers in a widely scattered group of states report lumber and building materials sales at the top or close to the top in sales gains over last year, with furniture, appliances, and motor vehicles also up front.

## Liberal Dividends Expected

In view of the substantial increases in earnings now coming to light and the heavy taxes on undistributed earnings, dividend declarations can be counted on to be liberal for the balance of the year. Last month, there were 89 extras, 60 back dividends, and 58 increased dividends announced. Consolidated Edison doubled its common dividend distribution; United States Steel did the same for its preferred. Chrysler boosted its rate from \$1.50 to \$4 a share.

## Three-Year Building Peak

With business volume increasing and building prices pointing upward, it is not surprising to find industry rushing new facilities. Commercial building contracts last week were the largest for any week in more than three years. With road construction in full swing, total heavy engineering awards exceeded the \$50,000,000 mark for the eighth time this year.



## THE GAUNTLET IS THROWN

Pictures and diagrams are doing great work in the world today. And they are becoming increasingly important in the promotion of business and education. Often they speak louder than words, for they may tell at a glance what could not possibly be conveyed without their aid. Pictures and diagrams are needed now as never before. Their use in stencil duplication is solely a development of ours. And it is an *unmatched* process. It has given the Mimeograph a greatly enlarged range of action. It has made possible the easy, inexpensive and rapid duplication of charts, maps, graphs, outline drawings, etc., together with hand-lettering, writing and typewriting. But best of all, it has opened new ways of doing forward work. For latest information write A. B. Dick Company, Chicago, or see your classified telephone directory for the local address.

# M I M E O G R A P H



AUGUST 8, 1936

## This Drought Is the Worst

**Every leading farm product except winter wheat and livestock seems to have suffered more than it did in 1934. But some sections do well.**

THE drought of 1936 is just about over—there is practically nothing left to destroy. Government crop reports Aug. 10 promise to depict the worst Middle Western farm catastrophe in the nation's history—worse than 1934 in all major items save winter wheat and, perhaps, livestock (and timely federal aid alone has averted calamity for cattle, hog, and sheep raisers).

There is a silver lining—notably for the southern Mississippi Valley and the Pacific coast where crops are good to exceptional. Partial crops will be harvested in the East North Central states and the north Atlantic coast. The Southeast lost a large part of its early vegetables and fruits—to drought and frost—while the dry spring weather sharply reduced cotton yields and thousands of acres were abandoned.

### Iowa Corn Typical

But the states which normally supply most of the spring wheat and corn are burned to a barren crisp. Cooler weather has come in the last three weeks, it is true, but corn and truck crops required drenching rains. Those rains have not fallen and Iowa—typical example as well as the biggest corn state—is resigned to a crop far smaller than that of 1934.

Four other leading corn states face an outlook as dismal as Iowa's. Illinois, usually ranking second in production of the grain, is a little better off and conceivably might even come close to the 1934 yield; Nebraska, Missouri, and Kansas have virtual crop failures. Thus these five states, which produced half the nation's corn from 1927-31, averaging 1,234,730,000 bu. in each of the five years, may fall substantially below 1934's 406,661,000 bu.

That means less than one-third of an average crop from five of the six largest corn states. Indiana, Minnesota, and Ohio (which rank fifth, seventh, and eighth, respectively) had fair crops in 1934 and may produce a shade more this year—which would give them a total of something like 265,000,000 bu. These eight states, which normally produce 65% of the United States corn, fell a little under 50% in 1934 and probably will do even worse this year.

Fortunately, the cash income of farm-

ers in these states (it was one-third of all farm cash income in 1934 and 1935) will not drop anywhere nearly as deeply as the reduction in corn yields. This is due to the fact that corn is largely a feed grain, not a cash crop—the eight states derived \$1,712,000,000 of their 1935 cash income of \$2,109,338,000 from livestock and livestock products. For this reason they may realize almost as much from stock—mainly pigs—as in 1935. Purchasing power will be lower, however, because high feed prices will cut profit margins, and some may have to sacrifice livestock because of lack of feed before the animals are fattened.

The most serious effects of the drought, however, are not confined to the big corn states. In North and South Dakota, eastern Montana, and Wyoming, all crops are close to a total loss. And Oklahoma is in a bad way. Its cotton is hard hit, most of the corn is gone, vegetables are beyond relief, and pastures have dried up. On the other hand, two states which suffered severely earlier in the year have come back—Tennessee rapidly and Kentucky ever so little.

Burdens shunted onto the federal government have been growing daily. Crop failures over wide areas, shortage of feed for livestock, larders bare of

spring vegetables (even barer of canned goods), and hungry humans numbering pretty close to a third of the farm population, epitomize the problem. There now have been well over 700 counties in 10 states designated as regions of acute suffering.

All the government relief agencies have been thrown into the breach. Conspicuous in recent developments has been Works Progress Administration which has made plans to hire more than 89,000 heads of families. Chief among its projects are the small dams on the headwaters of streams. Almost 1,000 of these water-retaining reservoirs have been approved and many of them already have been started. Farmers now working for WPA number about 35,000.

### What About H. C. of L?

The big question mark remains as to what effect drought will have on the cost of living. Fruit and vegetable packers have marked up canned goods moderately; dried fruits have risen; milk has been advanced at many points; bread is higher. And the government has started buying livestock to prevent price demoralization.

With beef prices already about 30% below last year and cattle receipts at leading markets the highest in three years, stockmen in 56 livestock associations which sell through the National Live Stock Association enlisted all the aid they could find. Rushing to the rescue are 1,100 packers together with the National Live Stock and Meat Board and the Institute of American



**ONE BRIGHT SPOT**—In the drab panorama of drought, there is one favorable scene; most of the wheat crop in Kansas and Oklahoma cascaded safely from the spouts of the threshing-machines before the parched fields began to burn under the Midwest sun. Further north, harvest time came too late to save the grain.



Meat Packers; the National Association of Meat Dealers; the National Association of Retail Grocers, and the Food and Grocery Chain Stores of America.

The retail groups embrace some 32,000 stores all over the country; advertising the fact that beef is a bargain, they are displaying choice cuts in windows and stores during the crisis.

The federal buying program (supplementing aid to farmers in shipping stock to feeding points) starts off with \$5,000,000. Buyers are now bidding in Fargo, St. Paul, Chicago, Omaha, and Sioux City yards. The stock will be processed under contracts already let to the big packers, and the meat will be distributed to the needy.

California's San Joaquin Valley stockmen have got together in three counties, organizing a regular schedule of cattle auctions. Higher prices already have been established, the committee asserts, and orderly marketing has been facilitated.

## Drive for Dried Fruit

AGGRESSIVE sales promotion to increase markets for California's \$35,000,000 dried fruit industry can be anticipated as a result of current conferences among leading growers and formation of the Dried Fruit Stabilization Committee.

Encouraged by the experience of the Canning Peach Stabilization Committee in obtaining the cooperation of 34,000 chain stores to reduce the larger carry-over of canned peaches (*BW*—Apr 4 '36, p24), growers of prunes, peaches, pears, raisins, apricots, figs, apples, and dates will ask a similar service. California chain stores, facing a referendum vote in November on the state's multiple store tax law, are using a widespread advertising and publicity campaign to show the value of chain stores to California agriculture, and they say they welcome an opportunity to sustain their claims.

## More to the Worker

**Wage increases, bonuses, and paid vacations are granted. Union threat is a factor.**

NOT since the first flush of NRA days have so many wage-rate increases and bonuses been granted as in the past two or three months. Back in 1933 and 1934, wage-rate increases were a bootstrap operation whereby industry sought to lift itself out of the depression trough. This year, they come for other reasons.

Foremost, perhaps, is the fact that business is better—very much better than the most sanguine had anticipated, especially for summer months. Many plants are going to top their 1929 volume this year or come within a hair's breadth of it. Earnings for the first half of 1936 are far above the first half of last year. Gains have been marked in the durable goods industries, normally among the highest wage payers.

These general improvements have not been overlooked by labor. Motor executives have been chagrined to find that every publication of favorable earnings brought a committee of employees to the front office in search of a wage increase. Company unions have been active in the past year in the quest of higher wages. Pressure of regular unions to organize the steel and motor industries has proved a powerful weapon in the hands of dissatisfied company unions.

Passage of the new tax bill with its punitive rates on undistributed profits makes companies doing a good volume of business this year more willing to grant wage increases. Higher wages build employee morale; higher taxes offer no return.

For such reasons, an impressive list of companies has stepped up wages or granted special bonuses, or both. Many

have resumed vacations with pay, which were suspended back in 1930, or inaugurated a policy of vacations with pay for the first time.

Outstanding in generous distribution of record earnings is the Chrysler Corp. which in May announced the third increase since August, 1933, which brought wage rates back to above the 1929 level. In addition, a \$2,500,000 bonus was distributed in February and another of \$2,000,000 will be distributed Aug. 10.

Bonus distributions have also been announced by Eastman Kodak, Homestake Mining, Allis-Chalmers, International Harvester, Jewel Tea, Johnson & Johnson, and Ludlum Steel. Westinghouse Electric & Manufacturing Co. set up a profit-sharing program on May 1. Wage increases were granted by tire companies this spring simultaneously with tire price increases (*BW*—May 9 '36, p14). Many automotive parts concerns granted higher wages when the threat of strikes endangered incoming orders for 1937 models. Endicott-Johnson's pay cut of salaried employees for the sake of the "underdog" is the exception to the general trend of increases.

## Steel Eases Labor Problem

Well up front in the vacations-with-pay movement are the steel companies whose improved earnings and delicate labor situation made such a gesture desirable. Offers of time-and-a-half for overtime based on an eight-hour day and a 48-hour week were rejected by several company unions as of no immediate benefit in view of current operations of only 40 hours a week. This unexpected stand by company unions reflects the aggressive spirit which the steel industry is up against today, and suggests the strong possibility of future wage increases.

Vacations with pay have also been announced by Allis-Chalmers, General Foods, Best Foods, Libbey-Owens-Ford Glass, National Battery, Stewart-Warner, Sherwin-Williams, American Tobacco, and Brown & Williamson Tobacco. In most cases these represent extension of the vacation plan to factory workers and others not formerly included.

## 1,000 \$10,000 Bills

FOR three years Treasury officials talked of increased use of small change; how busy the mints were and how this increased coinage meant more goods crossing retailers' counters. But times have changed. Now they are talking of a \$10,000,000 increase in the circulation of \$10,000 bills in a year. They don't know who is pushing this—the largest denomination—around, but the idea seems to be that the small change business barometer has grown up into box-car numbers.



**CAUGHT IN BETWEEN**—Landlords and machinery houses demand payments, silk brokers set a low price on finished work. New Jersey owners of family looms, facing a threat that the machines would be taken away from them for lack of payments, struck for higher piece rates. Their creditors are actively supporting the move.

# Steel War of Words

**Lewis and C.I.O., suspended by A. F. of L., dispute Iron and Steel Institute's wage analysis. Unionization drive claims victory in Sterling, Ill., strike.**

SUSPENDED this week in Washington, D. C., by the American Federation of Labor's executive council, ten unions comprising the Committee for Industrial Organization and led by John L. Lewis apparently were unconcerned. Sole notice taken prior to the verdict was a warning dispatched to the council during its deliberations that a dual labor movement would be the result if suspension were ordered.

Despite this warning, the council voted 13 to 1 for suspension, to take effect Sept. 5 unless the C.I.O. was disbanded during the month's grace. Lewis promptly labelled the council action an "appalling blunder," and declared it would have no effect on C.I.O. policies or on its campaign to organize workers in steel and other industries.

The suspension order affects approximately a million union members.

## Insurrection the Charge

Prosecution of the C.I.O. was vigorously conducted by John P. Frey, council member who collected and presented the case of the craft unionists. He charged "open and defiant insurrection against the authority as well as the policies and principles" of the A. F. of L., compared Lewis to Mussolini, and Charles P. Howard, C.I.O. secretary, to Machiavelli.

Many dues-payers in the A. F. of L. hoped that in some way the two sides to the union debate—craft and industrial

—might be brought together before the federation's convention next November. But that is a remote possibility.

The C.I.O. has been driving along on its campaign to unionize the steel mills, and claims one victory thus far, in the settlement of a minor strike. Tactics pursued by the organizers make their campaign to date mainly a war of words, latest manifestation being Lewis' attack on an analysis of steel wages issued by the American Iron and Steel Institute, which speaks for 95% of the industry.

Lewis turned the full blast of his guns on the steel institute, taking its announcement of steel wage increases, highest in manufacturing classifications, as being of little meaning because, he said, steel mills could not be compared with factories which employed women and children.

The campaign to unionize steel has taken, in general, a turn toward wordiness, as was forecast in *Business Week* when it became evident that labor leaders would try to restrain their followers from strikes or violent action at least until after election day.

Capital for the C.I.O. drive was made this week from the events just concluded in Sterling, Ill., where the Northwestern Barb Wire Co. plant resumed work following a strike marked in its later stages by violence. A 10% wage increase was granted in an agreement between the company and the new Sterling unit of the Amalgamated Iron,

Steel & Tin Workers union. Demand for a closed shop, however, was refused.

Meanwhile, a strike by workers who are at the same time small business men, after a fashion, occurred in Paterson, N. J., last week, when single-family silk weavers demanded one cent a yard more pay, from brokers or converters who supply them with work. They had been getting four cents, which meant that, on the average, a 12-hr. day, 6-day week would yield from \$20 to \$25.

The family loom owners assert, however, that landlords and machinery sellers, who helped them get set up in the first place, take so much in payments that the average wage is around \$9 to \$10 a week. Silk converters, on the other hand, declare that they can't pay more for the work because price-cutting in Pennsylvania and through the South would take all the business out of Paterson.

## Supported by Creditors

Therefore, time alone will tell whether the family looms are quieted, or whether some 300 families operating 4,000 looms get on a paying basis. They are organized as the Silk Commission Manufacturers Association, and they have the support of the landlords and machinery companies, who want their payments.

Paterson's unique situation comes about through a movement toward single-ownership and operation of looms, begun in the boom period. Weavers found it easy to set up in business for themselves, put their wives and children to work, and did very well for a time. Union organizers for the Federation of Silk Workers found the family system a serious threat; mills conversely welcomed the movement because it eased labor and taxation problems.

Without capital, the family looms could not purchase their own raw supplies, and some former employers turned brokers. They farm out the work each week, get the raw broadsilk cloth back, market it. Though brokers were fairly obdurate at meeting the demands for an increase in per-yardage rate, the family mills were optimistic, reporting that four firms had met the one-cent hike and started 2,000 looms turning in some 100 shops. Negotiations were on with other converters, while numerous small manufacturers flocked to the standards of the association.



Wide World

**WITH DEFENDANTS ABSENT**—John P. Frey, president of the metal trades department of the American Federation of Labor, acted as prosecutor in the trial of insurgent unions before the A. F. of L. council. The council was the jury, Frey's case was well prepared. But the union leaders called before the bar did not show up—they were busy helping John L. Lewis in his industrial union drive, and they denied the legality of the trial, anyway.



# Odlum's Deal—and Other Trusts

**Resale of British power system emphasizes wide scope of investment trusts, which now face serious problems, raised by tax law and SEC.**

ANY way you look at it, the deal Floyd B. Odlum pulled last week in England was important. Britishers regained control of the widespread power system of Edmundsons' Electricity Corp., Ltd. The price was \$30,000,000, but after \$5,000,000 goes to pay off a bank loan, only \$25,000,000 will reach the treasury of Utilities Power & Light Corp., the American parent company.

It was the largest repatriation of British industry in years—larger than the sale by Liggett's of the Boots Drug Co. to British bankers three years back (BW—May 17 '33, p. 26).

For Utilities Power & Light, the deal upholds the cash position of this holding company, paving the way—perhaps—to redemption of part of its \$50,000,000 debenture issue. In addition, it will supply needed working capital.

Furthermore, the operation emphasizes the ranging functions of the Atlas Corp. and other investment trusts. Here was Mr. Odlum, president of Atlas, dicker-ing for the sale of properties owned by Utilities Power & Light, a company Atlas controlled through common stock ownership as well as through possession of a big gob of the company's debentures. For his pains, Mr. Odlum received a commission as negotiator for Utilities Power & Light. But because of his relation with Atlas and Atlas' control of Utilities Power & Light, his fee will revert directly to Atlas Corp.

## SEC Probe Begins

While this transaction was taking place, the Securities and Exchange Commission began its investigation of the investment trust movement—which gathered momentum in 1929 and seemed to be dedicated to the proposition that common stocks always go up. The SEC objective appears to be: "Where do the trusts go from here?"

The trusts, themselves, are interested in this same question. The new tax law threatens their existence. Even the mutual investment companies, which it was designed to save, suffer. Only those enterprises which reach beyond the wispy dividing line separating investment from speculation appear to have a reason for survival.

The tax on straight investment is too onerous. First, there is the 8% to 15% normal tax; then the 7% to 27% tax on undistributed earnings; and third, the more subtle but just as incisive capital gains tax (which an investor on his own account escapes to a large extent, depending on the length of time securities are held).

Although a mutual investment company of the Boston type (BW—Jul 11 '36, p. 45) is exempted from the normal and undistributed earnings tax in major degree, its scope is limited by the very provisions it must comply with to escape the tax.

There would be little or no room for a mutual investment enterprise to take a position such as Atlas did in Utilities Power & Light and wring a substantial profit out of the deal by nursing it through to conclusion. Nor could a mutual company enter the field of reorganization or financing, such as Lehman Corp. has done on occasion.

All these niceties will be brought out at the current SEC hearings. If the investigators do not go into them of their own accord, the leading trusts will see that they get into the record. For no investor, of any means, would be inclined to keep his funds in a strict investment trust, subject as it is to heavy tax penalties of a restrictive nature:



**HOME WITH THE BACON**—Bearing a contract for the sale of British holdings of Utilities Power & Light, Floyd B. Odlum comes home aboard S.S. *Normandie*. Deal involved \$30,000,000, represents big coup for Atlas Corp., of which Odlum is president, and strengthens U. P. & L.

restrictive both as to immediate income and potential appreciation.

Even now, leading trusts are contemplating what to do if the Revenue Act of 1936 remains unchanged. To mutualize would change the nature of a trust such as Tri-Continental Corp., or Lehman, or Mayflower Associates, or Atlas. To continue solely investing in stocks and bonds subjects the income derived from dividends and interest to unnecessary taxation and an overweighing burden in the case of capital profits. The chief reason for retaining status quo is freedom of action—permitting the entry into special situations promising large profits.

But there is no impulse toward hasty decision. The election will cut some ice; so will the investigation; so will the makeup of the next Congress. Unless the law is altered, many large trusts will examine the possibilities of emigrating abroad—transferring assets to a foreign company and doing business outside United States tax jurisdiction.

Thus investment trusts will probably take the sock this year, but next year they will not turn the other cheek. If Congress does not act, they will.

## Facts Wanted

The feeling exists that the Roosevelt administration is not dead-set against investment companies. Else, why the special consideration shown the mutual company? Nor is the SEC investigation entirely for purposes of pillory; there is a definite desire to get honest information.

Ultimately, trust managers hope investment companies will be exempt from taxes altogether—on the theory that the government collects income levies first from corporations whose stocks the trusts own and second from the stockholders when the trust pays dividends. Therefore, they contend the government receives its just measure without directly levying on the trust.

As the law now stands, even in respect to mutual companies, which would pay virtually no tax, the restrictions are such as to prevent the trust shares from appreciating in value—because all profits must be paid out. No opportunity exists for making up losses incurred in poor years. Hence the long-range effect on such trusts, unless new capital comes in, is a tendency toward self-liquidation.

The emphasis of the tax law has been entirely on income to the shareholders—quite in keeping with the philosophy of "pay out everything in dividends." That, in essence, follows the trust pattern that has developed in Great Britain. There the keynote has always been income. But whether that suits the American temperament is something that the law, to be effective, must consider.

In the meantime, the common trust funds of banks—in which investors pool





**VOICE OF RETAILING**—Having served as the scapegoat of Rep. Patman's investigation of chain store lobbying, which led eventually to the enactment of the anti-price discrimination law, the American Retail Federation emerges from the shadow of

suspicion to hold its first annual strategy conclave. Last week, representatives of nine state and national member organizations met with Col. C. O. Sherrill (head of table) and A.R.F. staff members to weigh trade problems, organize their defenses.

*Underwood & Underwood*

resources to be managed by bankers—get a boost. The revenue law exempts these funds from corporation taxes. Only disbursements to trust participants are subject to levy. Which means that banks which started such funds years

ago will attempt to revive interest in them, and that other banks may enter the field. In 1929 and 1930 this business promised to attain a vigorous growth, but the impact of the corporation tax stunted its development.

continuing to pay allowances and to grant discounts substantially as in the past.

These are either granted openly, apparently on the assumption that they can be legally justified as a return for service rendered, or lumped with quantity discounts, to be justified, presumably, as savings in the cost of manufacturing and selling large distributors.

As a result of the cancellations of allowances which have already been made, some large buyers, led by the Great Atlantic & Pacific Tea Co., have already discontinued advertising in local newspapers, and manufacturers are feeling this type of pressure. *Food Field Reporter* takes note of rumors that A. & P. is considering the publication of a special give-away magazine as a means of collecting advertising allowances in the form of space rates.

#### More Lenient View Expected

Although the Federal Trade Commission and the Department of Justice still refuse to issue any definitive statement of what they consider the law to mean, informal conferences which many trade representatives have held with the administrative authorities have led to the general conviction that the government will not seek to interfere in the thousand and one trade relations which viewers-with-alarm have warned were now subject to federal regulation.

Apparently first enforcement will not invoke criminal penalties and will be built around big cases testing as many of the broad powers of the act at one time as seems feasible.

Trade interests have indicated their willingness to cooperate in preparing these test cases. Details of the law will not be clearly defined by the courts for many a year; meanwhile business will probably go on pretty much as usual after the present perturbation dies down, and pretty much as it has for the past 22 years, during which time 38

## Breathe Easier on Price Law

**Belief grows that rule of reason will prevail in administration of R-P act. First complaints are filed.**

WHILE warnings, analyses, and interpretations of the Robinson-Patman act continued to flow from trade association headquarters and law offices this week, measurable progress was made toward the eventual clarification of just what is and what isn't legal under the anti-price discrimination amendment to the Clayton act.

The upshot of the conferences both in trade and administrative circles is a new, though still shaky, confidence that a rule of reason will prevail in the enforcement of the R-P law and that the established trade practices which the law seeks to regulate—advertising allowances, quantity and special discounts, brokerage payments—will not have to be too drastically overhauled in order to guarantee freedom from prosecution.

#### Intrastate Loophole

This attitude was forcibly expressed in a bulletin issued to department and specialty stores by the National Retail Dry Goods Association. The association points out that despite the "tricky language" of the act, there is no ground for believing that it can be stretched to cover purely intrastate operations, in view of the fact that the courts have repeatedly held this sphere of commerce to lie beyond the regulatory powers of the federal government.

The association apparently believes that this intrastate feature may offer a

wide loophole to a variety of merchants and the producers who sell to them, for the bulletin points out that "retail competition is usually strictly local and retailers in various states are scarcely ever in competition with one another, with the exception, of course, of the mail-order houses and some chains." And if there is no competition, there is no possible violation of the law.

Moreover, the association stoutly maintains that there is nothing in the R-P act to compel the elimination of advertising allowances and similar concessions by manufacturers where these are offered to customers for services actually rendered, and it quotes from the House committee report to this effect. The inference is that a manufacturer cannot be made to offer allowances to all his customers on a proportionately equal basis as long as the factor of "services rendered" is clearly established and the grant can not be construed by the courts as a simple price reduction for a big buyer.

There is considerable evidence that chains are thinking along similar lines, planning to collect their allowances for window and counter displays, for local advertising, and for point-of-sale promotion by putting the entire operation on a service-contract basis. Food and drug chains have emphasized the fact that although many large manufacturers have drawn in their horns, others are

court decisions failed to trace out all the implications of the original Clayton Act.

Greatest fear of some trade interests—notably old-line wholesalers—is that refinements in trade practices, such as cooperative buying, which are born of the present uncertainty about the law, may become profitable and get wide acceptance, thus seriously revamping the distribution picture. Manufacturers are similarly concerned about changes in mass distributors' methods of producing and selling their private brands.

Meanwhile, early clarification of the Federal Trade Commission's attitude toward the law is expected, for four complaints charging violations already have been filed with the commission. In accordance with its regular procedure an FTC investigator will examine each of these complaints and report his conclusions to the chief examiner, who may or may not report that there has apparently been a violation. If the commission believes there is probable ground for a charge, the respondent will be asked to submit a formal answer, and if this is not satisfactory, the entire docket will be made public and the case set down for public hearing, conducted by a trial examiner.

#### Criminal Action May Follow

A full report of the proceedings will then be filed with the commission, together with the trial examiner's recommendation and the respondent's brief. If violation of the law is found by a majority of the commission, a formal cease and desist order will be issued, which the respondent may either agree to accept or may appeal from to the United States Circuit Court of Appeals. At any stage of the process the Department of Justice may institute concurrent court action charging criminal infraction of the act. It is not presumed, however, that the department will take any such action except on the advice of the commission. A thorough working arrangement is presumed to have been worked out by the two agencies at lengthy conferences this week.

Many trade interests are hoping to find out what FTC thinks about price discrimination without waiting for formal action. The trade-practice conference agreement, which has achieved unprecedented popularity since the death of the NRA codes, is the course they expect to pursue to that objective.

The Toilet Goods Association and the National Canners Association are two trade groups importantly affected by the R-P law which have taken definite steps toward the adoption of federal rules. Many trade interests are reputedly impressed with the idea that such action will provide them with a measure of immunity from prosecution by FTC while simultaneously affording an opportunity to crystallize trade opinion on vital price problems.

## Modernized Chopper

**Toledo Scale sells new meat-grinder and plans new coffee mill, both housed in Plaskon.**

TOLEDO SCALE CO. celebrated last week the first anniversary of its Plaskon-housed weighing machine (BW—Aug 10, '35 p9) with a coming-out party in New York for a new meat-chopper.

Perhaps as a further celebration, Toledo's affiliate, the Plaskon Co., this week merged with the Unyte Corp. to form the world's largest producer of urea-formaldehyde resins.

Plaskon is a urea-formaldehyde plastic. Production of the scale housing made plastics history since it led to the building of a special press for General Electric capable of molding shells much larger than were formerly produced.

The Plaskon scale was designed by Harold Van Doren to agree with the modern trend in butcher shop and grocery interiors. Its lightness, simplicity of form, and sanitary features were enthusiastically received. Extension of the idea was inevitable. Mr. Van Doren was called in again, to redesign the Enterprise meat-chopper.

The new chopper has a white, single unit, Plaskon hood. It is molded on functional lines and is produced by the Enterprise Mfg. Co., Philadelphia. General Electric molded the hood on a 680-ton press at its Meriden, Conn., plant.

The chopper housing is unaffected by butcher shop chemicals. A damp rag

cleans it. It is so light that it helps reduce the machine's weight from 115 lb. to 95 lb. Inside, the chopper has helical cut gears and "strate-line" feed which retains the meat juices.

Cooperation in design and merchandising is going places. The combination which produced the meat chopper is at work on a modernized coffee mill, with a Plaskon housing. It is expected to be placed on the market in January. Further, the Enterprise chopper and coffee mill will be sold through the marketing organization of the Toledo Scale Co.

At the New York chopper unveiling, H. D. Bennett, president of Toledo Scale, got beamingly to his feet and related the year's record on the new Plaskon weigher. He pointed out that women now demand light, modernized food stores. By capitalizing this consumer preference, the equipment manufacturer can induce retailers to discard dark, old-fashioned installations.

#### Old Scales into Discard

The new Plaskon scale promoted the first general replacement in 13 years. Acceptance of the new scales was so general that manufacture of old designs has been discontinued. A vegetable and fruit scale that is a brother to the meat scale has been put on the market. It is lower than its relative (which gives a better view of displays), has a shorter range of price computation (which cuts the manufacturing cost).

Mr. Bennett reported that Toledo's business on higher-priced scales was up 44% during the last half of 1935 as compared to the previous year.



**CHOPPING CHAMP AND MANAGERS**—Three who are proud of the new Enterprise meat chopper are (from left) Harold Van Doren, who designed its one-piece Plaskon hood and who is holding a separate hood; H. D. Bennett, president of Toledo Scale Co., which will market the chopper; T. Henry Asbury, secretary-treasurer of the Enterprise Manufacturing Co., which is making the new model.

## Shipped Fresh in Ice

**New company preserves foods by wet freezing and sends them to markets in the Orient.**

FRESH California spinach for the foreign-colony kids in Hongkong, Shanghai, Bombay, and other cities in the Orient is now being shipped commercially from San Francisco, preserved by a wet freezing process which food industry authorities believe has important possibilities for the wide-scale distribution of fresh foodstuffs.

Fresh-N-Ice Process Foods, newly-formed San Francisco commercial organization, owner of the process, reports contracts on hand for supplying fresh peas, string beans, cauliflower, brussels sprouts, and broccoli, all packed in water, and rhubarb, figs, peaches, and berries, all packed in simple syrup, to the Pacific fleet of the Navy, to Pan American Airways for its operating bases at Guam and Wake Islands, and to steamship lines operating out of Pacific Coast ports.

### Cooked in Own Juices

Foods are sold frozen in 50-lb. blocks and in pint, quart, or gallon containers. Consumers merely thaw out the vegetables and cook them in the water from the melted ice, thus preserving their mineral salts. Placed in an ordinary mechanical refrigerator with temperatures ranging from 40 to 50 degrees F., the product is said to keep fresh and palatable for from three to five days after thawing.

The new developments in technique included in the process are the work of Pres. A. B. Haslacher, of the Fresh-N-Ice Co. Some food industry authorities say his wet process of freezing is better than the quick, or dry, method, especially in the elimination of serious problems incident to dehydration and oxidation and in the ruggedness of the finished product in storage and transportation. Experience is said to have shown that an increase in weight due to the use of

ice is more than offset by these advantages.

Freezing is done in a "sharp" (low temperature) room or in brine tanks at eight to ten degrees F. and because of this the process may be accomplished in any commercial ice plant where brine tank capacity is available.

Processing includes preparation, grading, and blanching to inactivate the enzymes. The blanching fixes and heightens the color.

### Other Vegetables Tried

Successful experiments have been made with artichoke hearts, corn, and lima beans, although the last two vegetables are not included in the Fresh-N-Ice line because varieties satisfactory for packing are not available on the Pacific Coast.

Experiments are under way with freshly-killed chickens. Broilers and fryers are killed, drawn, and split down the back so they can be packed flat, are washed and the cells sealed by a special process similar to blanching, and are packed six to the gallon container, and 20 to 24 (depending on the size) in a package 9x9x10 in.

The best-known freezing process is that of Frosted Foods, owned by the General Foods Corp. Its foods are frozen without added liquids. Cold-storage warehouse firms and other interests have long used a wet process to freeze small fruits for use by ice-cream manufacturers and bakers. Some packers freeze poultry and meat by the "Z" wet process, in which brine is sprayed on the food.

## Flowers Come Back

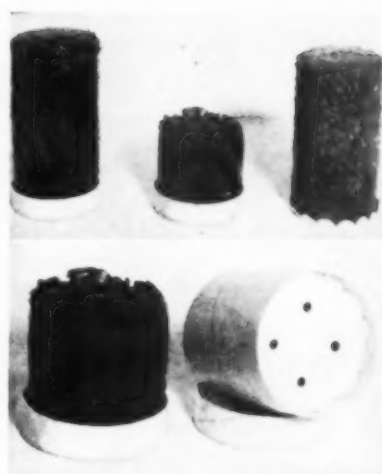
**Their sales are up 18% from last year, and florists are finally making a profit.**

MANY more people are "saying it with flowers" than in the depression's dark days. Florists' sales are up 18% from last year; and business in 1935 was 11% greater than in '34.

Roughly, the volume of trade done by florists declined to about 50% of the 1929 level during the depression and now is back up to 80%. Wholesale prices followed pretty much the sales curve, although they have returned to only 75% of the peak.

Around 10% of the florists' business is done by telegraph, according to the Florists' Telegraph Delivery Association, Inc., Detroit.

Brightest spot on the florists' sales map is Detroit. Thanks to the boom in the automobile industry, retailers there report trade better than in 1929. De luxe florist shops, catering to a swanky clientele, are doing well. The well-to-do have recovered from their depression financial headache so that debutante



*Business Week*

**FOR GOOD EATING**—Fresh-N-Ice is a process developed in San Francisco, for wet freezing and packaging, foods. At top are broccoli, string beans, and peas, ready for thawing and cooking; below are details of the patented depressor.

teas, golf club and hotel dances, and other ritzy affairs are once more on the social calendar. And all of these affairs mean business for the florists.

The old standbys—weddings and funerals—continue to give the florist his "bread-and-butter" business. July and August usually are dull months, yet this year July's volume is relatively high largely because of the heavy death toll from the excessive heat.

### Individual Sales Larger

Customers are spending more freely. Where a year ago they shelled out five dollars at one time for flowers, more of them are now willing to pay ten dollars. The proportion spent for cut flowers (70%) and for potted plants (30%) hasn't changed much.

Last year florists weren't able to do better than break even, despite increased volume, because labor and materials costs advanced. For the first time since early in the depression, they will make a little money in 1936.

Back in 1930 there were about 9,000



*Business Week*

**DRINKING AND LISTENING**—Westinghouse presents a new water-cooler fountain which, as the drinker interrupts an electric eye, turns on a spoken message from loudspeaker above, relating the merits of the merchandise nearby.



*Business Week*

**SEEING AND LISTENING**—The new radio dial perfected by Montgomery Ward operates by sending a light ray through a small film, flashing call letters of stations being tuned in, in large illuminated letters.



florists (not counting chain stores and others selling flowers on three or four special occasions during the year). The number shrank by 25% as the depression deepened. Just now the ranks are beginning to expand again.

To the relief of legitimate retail florists, there are fewer "alley" shops (occupying garages, etc.) and other fly-by-nights offering flowers at cut-rate prices. Most of these people handle "seconds." Some florists, on the other

hand, aren't too worried about this competition. They feel that these cut-raters sell to people who would hesitate to go into a regular florist's store, probably educate them to buy flowers and eventually they become customers.

The florists' trade today is less seasonal than it used to be. This is due partly to the fact that more money is being expended, largely through an association program, for advertising and sales promotion.

## Wine Co-ops Are Spreading

**Some borrow from federal Bank for Cooperatives, others use own money. They claim a higher return to growers than commercial wineries pay.**

HAVING induced Congress to cut the federal tax on wine in half, the wine industry now finds that vineyardists want some of the saving. They have figured out that the \$6,000,000 reduction in the tax burden works down to about \$7.50 a ton for grapes crushed for dry wines, \$9.50 for grapes used in fortified sweet wine. They are waiting expectantly.

Meanwhile, California growers believe they have found one way to increase their returns by setting up co-operative wineries, and the idea is spreading like a prairie fire. There are 14 cooperatives in the state, more are on the way, and even the least successful are said to be returning more money to the growers than the commercial wineries. The best of them supply returns two and, in some cases, three times the average grape price.

### Credit and Advice Available

Important factor in the trend is the federal Bank for Cooperatives at Oakland, Calif., under direction of Dr. E. A. Stokdyk, which supplies cheap credit and experienced advice in details of organization.

A cooperative winery, for example, borrows 60% of the funds needed to erect a plant, for as low as 4% for a 5-year loan. At crushing time, approximately \$10 a ton can be secured at 3%. The grower gets an advance payment of \$7.50 a ton, and \$2.50 covers cost of processing. When the wine is in the vats, the Bank for Cooperatives lends funds at as low as 2%, to cover the wine while it ages. Cooperatives buy all the tonnage pledged by a grower.

A survey by *Pacific Rural Press* reveals that, in one of California's major grape-producing districts, Lodi, a few miles south of Sacramento, half the annual cooperage of 25,000,000 gal. is now owned by cooperatives. In 1934, two large cooperatives appeared, the Bear Creek and the Eastside, formation of which is generally credited with add-

ing \$5 a ton to the value of grapes grown in the Lodi district.

Eastside was founded by 82 growers who raised \$100,000 capital stock among themselves and, when necessity arose, added another \$100,000 as a stock assessment. When the winery closed its 1934 pool it returned \$24.85 a ton to members for their grapes. For the 1935 crop they advanced \$10 a ton and expect to do better on their final payment than in the previous year. This winery has never borrowed a penny from a bank. The stock which cost members \$200 a share is now valued at \$450, and there is a waiting list of 50 growers for membership and stock.

The Bear Creek group has 135 grower-members. When it was started, most of them were so beaten down financially by the price of grapes that they had to borrow from the bank their \$7 a ton

for the original capital. That provided \$100,000. The Bank for Cooperatives loaned them 60%. They now own a \$250,000 plant, insist they are receiving more for grapes as an advance payment than they would have gotten had they sold to private wineries, point out that, in addition, dividends are in prospect.

Giant among the wine cooperatives is Fruit Industries, Ltd., founded in 1929 as a joint production and marketing agency. It has nine large producing plants in various sections of the country each with from 200 to 500 members. Total output, about 15,000,000 gal. a year, is marketed under 200 brand names.

### Vintners Bound by Contract

Latest major cooperative arises from attempts of leading vintners to stabilize the price of both wine and grapes, to eliminate the chiseler who buys distress grapes at the end of the season and makes wine at costs which demoralize the market. The California Grape Exchange starts with 35 vintners and 25 large growers who produce 150,000 tons of grapes and buy another 300,000 tons. The vintner-members sign a contract to buy only from growers who become members of the exchange; pay at least the minimum price fixed by the exchange; and buy only on federal-state standards for grape quality.

C.G.E. members control 450,000 tons of wine grapes, the cooperative wineries account for 225,000 tons more, and the 550 small wineries, which handle their own grapes, use an additional 100,000 tons (a total of 775,000 tons). Sponsors of C.G.E. believe the entire crop, short this year, can be controlled, leaving no grapes for the speculative chiseler.



**TO MARKET**—By the trainload, California's famous grapes roll out of the great valley vineyards to the cooperative wineries, which have increased to 14 in number and are reported boosting returns to the growers through more favorable prices.

# International Trucks handled 80 per cent of the heavy hauling at Boulder Dam

IN 1931 Six Companies Inc. began the building of Boulder Dam. Today the tourists look down in awe as they ride a highway 730 feet above the Colorado River bed. The finished barrier blocks the canyon. Boulder, world's greatest dam, stands complete—two years ahead of schedule.

The certificate of appreciation presented to International Harvester by Six Companies Inc., and reproduced here, is a reminder of the service rendered by International Trucks in this celebrated project. Other equipment of this engineering age also played its part, but to Internationals fell the major share of the heavy hauling.

We ask the construction industry and all users of trucks to note that the number of Internationals at Boulder Dam practically doubled all other heavy-duty makes combined—outnumbered any other single make in excavation service by more than five to one. The great fleet of International Trucks handled 80 per cent of the heavy hauling, accounted for

something like a million loads into and out of the canyon, performed brilliantly from start to finish in the fifty months of Herculean action in the building of Boulder Dam.

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## Can They Tax Co-ops?

Indiana judge says they can. Farmers' and consumers' organizations may be menaced.

CAN cooperatives be deprived of some of their tax privileges, and their advance thus be retarded? This question occurred to many executives and business lawyers last week, as a result of a decision at Indianapolis by Judge Herbert E. Wilson, in the county superior court.

Cooperatives have suddenly become a live economic and political question. Until a year or so ago they seemed unimportant, except in agriculture. But then various New Deal activities began emphasizing, advertising, and fostering them. Prof. Walton H. Hamilton, as Adviser to the President on Consumers' Problems, attacked distribution costs in several large industries. Recently the President appointed a commission to study cooperatives in Europe. And Sec. Wallace has stressed the need for consumers' cooperatives.

### Heretofore Exempt

It was such a cooperative that produced the Indiana controversy and judicial decision. Cooperatives have been granted important privileges by federal and state legislation; for instance, farm cooperatives are helped by the Department of Agriculture, and are exempt from anti-trust legislation. Cooperatives of all sorts, whether producers' or consumers', have been classed as non-profit organizations and therefore in general have been considered exempt from most taxes.

Recently, in South Bend, Ind., the St. Joseph County Consumers' Cooperative Association was organized. In accordance with the usual practice, it applied for incorporation as a non-profit organization. But the Indiana secretary of state, August Mueller, produced a surprise by refusing to grant the articles of incorporation. Thereupon the cooperative went to court. And Judge Wilson gave his decision:

"If a concern like this is going to compete with private capital and private enterprise, it should pay the same taxes as other corporations engaged in similar lines of business. The sole purpose of this organization is to obtain goods cheaper than can be bought from private concerns. This constitutes profits."

Cooperatives all over the country were alarmed by the decision. They said it was utterly without precedent. Writing to South Bend for detailed information about the case, they prepared to help the South Bend cooperative in its appeal to the Indiana Supreme Court.

Merchandising companies were also interested. Many of them hoped the Indiana decision would be adopted by courts in other states. They knew, however, that if the cooperatives were de-

feated in the courts they would wage a popular agitation to get legislative action that would help them. And it seemed certain that this agitation would succeed if the courts' decisions threatened farm cooperatives, because farmers have enough political strength to keep their cooperatives immune from taxes. But if the decisions can be limited to consumers' cooperatives, the farmers may keep out of the fight.

However—many farm cooperatives are also consumers' cooperatives, buying plenty of things the farmers need. It is true that these things are mostly not for the farmer's own consumption, but are used in his business. Nevertheless, if consumers' cooperatives are to be considered profit-making, and hence subject to taxation, how can the farmers' cooperatives that do a lot of buying be considered in a different class? And if they can't be, they are sure to join the consumers' cooperatives in defense of cooperative privileges.

Therefore opponents of the cooperatives, while interested in the Indiana decision, were far from sure that it would ultimately destroy tax exemption.

## Tugwell Aids Co-ops

Resettlement Administration helps these groups with land sales and with loans.

WASHINGTON (Business Week Bureau)—Taking a leaf out of the Roosevelt book, Rexford G. Tugwell's Resettlement Administration is pinning an increasing amount of faith on the cooperative idea.

All the New Deal agencies are pretty well tied up to that concept. The President has a special commission abroad studying it, and Farm Credit Administration is announcing that last year its straight purchasing co-ops bought about \$250,000,000 worth of goods and its marketing cooperatives purchased better than \$100,000,000 worth for distribution to members.

### Out From Under

When Resettlement Administration takes over land for rural resettlement or some other project, that land drops out of the taxable list for the state in which it lies. When the work is done and the rehabilitated families are definitely settled, Uncle Sam wants to get out from under—for political and other reasons. He does this by selling the property to an association organized under the state laws for that special purpose. The association assumes title and the property is back on the state's tax list.

That's the most important of the Resettlement cooperative activities. There are five such going co-ops, one at Westmoreland, Pa.; one at Crossville, Tenn.; the Arthurdale Association at Reedsville,



W. Va.; the Tygart Valley Association, near Elkins, W. Va., and the Red House Association, in Putnam County, W. Va. These cooperatives are engaged in various types of agricultural industry, from selling sorghum syrup at Crossville to running a trading post at Westmoreland, and including dairy and poultry activities.

Resettlement is also advancing small loans to little groups for purchase of farm equipment, live stock, breeding, and the like. These groups may or may not be incorporated. This type of loan is much in favor in the South and more recently in the drought regions of the Middle West.

The third type of assistance to co-ops takes the form of loans to organized cooperatives not affiliated with Resettlement. In all, 22 such loans have been made, totaling, on July 15, \$433,027. The loans are secured by mortgages or liens, run from approximately five to not more than 40 years, and pay from 3% to 4%.

The smaller loans of this type run from eight dollars for a pressure cooker for use in a rural cannery to \$2,000 for a harvest combine, while the larger go as high as \$178,400 to the Farmers Union of North Dakota, with 30,000 farm family members; \$87,919 to the Westmoreland Cooperative, with 200 families; and \$32,480 to the Cumberland Homesteaders. These last loans bear 3% interest, and run for not more than 40 years.

The Resettlement Administration permits any member of the co-ops affiliated with its organization to join an independent cooperative, and will even lend money needed for its initial payment.

## Soybean Sits Pretty

Becomes so important that Chicago Board of Trade may establish futures trading.

THE soybean is advancing so rapidly in importance among American farm products that the Chicago Board of Trade is considering the establishment of soybean futures trading.

Favorable action would probably have been taken by this time if it were not feared that the drought-reduced crop would not be large enough to make futures trading practicable. It is agreed, however, that all arguments favoring futures trading in wheat, corn, oats, barley, and rye for hedging and stabilization apply equally to soybeans.

When drought threatened and foreign buyers entered the world soybean market in Chicago this summer, the cash price skyrocketed from 84¢ a bu. to \$1.29 within six weeks as processors hastened to cover their requirements.

Although records indicate the plant

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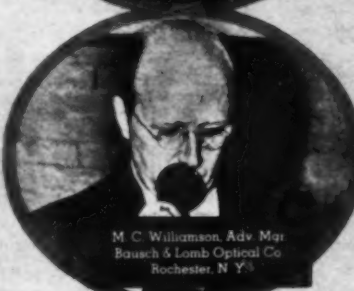
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BW-8

☐ I want to see your representative. ☐ Please send me my copy of "What's An Office Anyway?"

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was in existence in the Orient some 25 centuries ago, it is only within recent years that science has unfolded the soybean's manifold properties.

Prime mover in the industrial development of soybeans has been Henry Ford and the Farm Chemurgic Council, which he sponsors. Not only has he found a multitude of uses for soybean products in the Ford car, but he has been instrumental in increasing use of it for human consumption. Latest figures show use of 560,000 bu. of soybeans in the production of a million Ford cars (more than  $\frac{1}{2}$  bu. per car).

#### "Wonder Plant" Research

Numerous laboratories today are working on the "wonder plant." Claims made for it include the following:

(1) Soybean oil (similar to linseed oil) normally is practically neutral and about 95% saponifiable, making it a suitable ingredient of certain soaps.

(2) Iodine value of an oil is a measure of its drying qualities; soybean oil has value of about 136 against 185 for linseed (highest) and 119 for corn.

(3) Nutritional value of proteins depends on proportion of amino acid; soybean oil is better in this respect than any other grain.

The oil is used in lard substitutes, margarin and cooking oils, bakery goods—to mention but a few of a growing list. The familiar soya sauce for chop suey is an ancient product of the plant.

Due to its superior drying qualities, the oil is being used increasingly for paints and varnishes (11,000,000 lb. in paint last year). Paint with soya oil as a base holds its color longer. The oil is used as a plywood adhesive.

#### Why It Has Gained

Factors responsible for the sharp increase in 1935 acreage to 2,691,000 from 1,511,000 in 1934 included the AAA restrictions on production of other grains and the growing realization by farmers that soybeans are valuable as a source of nitrogen for land and suitable for rotating purposes. Due to a maturity of 60 to 130 days, they may be planted after some earlier crop failure.

Another comparative newcomer, and in some ways a competitor of soya oil, is tung (chinawood) oil. Whereas the soybean in some one of its infinite varieties can be grown in any kind of soil and any kind of climate, the tung tree does not thrive except under most auspicious conditions.

This uncertainty of production worries makers of auto varnishes, of which tung oil is an important ingredient. Tung oil produced in a limited area in southern United States is of superior quality but the supply is not dependable. For instance, the United States tung oil yield in 1933 was nil due to unfavorable weather. In 1934, about 400,000 lb. were produced, but last

year the yield was negligible. Estimates for this year run as high as 2,000,000 lb. but this would be only about 1.5% of domestic requirements.

The tung tree does not produce on a commercial basis for five years. For that reason United States users of the oil urge a correlated effort to provide

a domestic supply for the future by planting trees on a large scale under conditions already proved satisfactory.

Meantime, interests in "tung groves" are being sold by promoters to the same sort of people as those who a few years ago became absentee owners of citrus groves in Florida.

## Uncle Sam, Competitor

**Business prepares for another attack on government competition with private industry. A wide variety of goods are produced.**

WASHINGTON (Business Week Bureau)

—Nothing riles the rank-and-file of business men more than the increasing government competition. With their business on the mend, they are vowing even more firmly to push the government out. By its very nature, the competition of government rouses private business to practically united opposition. Both the United States Chamber of Commerce and the National Association of Manufacturers are now preparing for another offensive against the encroachment of government, which has become much more pronounced because of relief activities.

It is jocosely said that there are only two firms in the United States that have no kick coming. They sold the government 1,548,000 yards of red tape last year.

Against this item there are a couple of hundred types of products turned out by government agencies that deprive commercial firms of a sale to the government or compete on the market. It is the variety of government manufactures rather than their volume in any one line that is upsetting.

Long a target of clothing manufacturers is the army's uniform plant at Philadelphia, which has been in operation since before the Civil War. Tailor-

ing of officers' uniforms, one of the principal causes of complaint, was stopped several years ago and commercial opposition has almost succeeded in shutting down the plant entirely at various times. The War Department invariably has won out, however, with the argument that it is needed as a source of experienced personnel to form the nucleus of an inspection staff in commercial plants in case of emergency. The requirements of the regular army for uniforms are not large and if procured from outside shops the business would be confined to a few firms.

The output of \$5,000,000 worth of garments includes both purchased materials and labor cost in the army factory. Wages and other operating expenses are higher than in outside shops. Accounting apparently includes all charges that private business has to pay except insurance. Against a recent bid from an outside shop of \$1.10 for making up a blouse, the labor cost in the army plant was \$1.70.

All clothing and equipage for the national guard and the Civilian Conservation Corps, now averaging \$57,000,000 a year, is purchased by the War Department from commercial firms on contract. The army factory has been used on CCC clothing only to make altera-



WPA TO SHOP TO ERA—Largest WPA sewing shop is in the old Siegel-Cooper Bldg., New York City, where 3,000 women, working a 30-hr. week, produce more than 3,000 items of clothing and linens each week for Emergency Relief distribution.

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## THEY "SAVE EVERYTHING BUT THE SQUEAL"—WITH RUBBER

### *A typical example of Goodrich product development*

**P**ACKING plants found out, a few years ago, how to salvage the hair from the hog, and so "save everything but the squeal." Giant rubber scrapers churn, and scrape the hair from the carcass. But 200-pound hogs soon wear out and break off the scrapers—hair becomes expensive.

Then a manufacturer of machinery had an idea and came to Goodrich with it. We helped him work out a scraper of a different rubber compound and shape, that stands up under the weight and impact of the hog and resists the chemicals in the scraping bath. These Goodrich scrapers will clean 50 to 100 per cent more hogs than the old type.

Costs cut substantially! Remarkable?

New Goodrich developments are doing it nearly every day. Rubber, as Goodrich can now compound it, will—

—flex indefinitely without breaking . . . and Goodrich transmission belts set new performance records.

—withstand abrasion . . . and Goodrich gravel chutes, ball mill linings and a hundred other applications outlast steel 10 to 1.

—resist chemicals, oil, time itself . . . and Goodrich-lined tanks and pipes drastically reduce pickling, plating, chemical handling costs; Goodrich hose lasts longer; Goodrich gaskets form life-long seals.

—adhere to metal . . . and industry seizes upon abrasion shoes for airplanes,

vibration dampeners for countless products, rubber-lined tanks and tank-cars.

—take any form, texture, color . . . and a thousand products gain new sales appeals, improved quality, low costs.

Rubber, as Goodrich can make it, is a *new material*. To investigate its new possibilities in your product or process, write The B. F. Goodrich Company, Mechanical Rubber Goods Division, Akron, Ohio.

**Goodrich**  
ALL *products* *problems* IN RUBBER



tions. From the army's standpoint, its operation develops commercial markets and doesn't compete with them, but manufacturers can't see it that way.

A bewhiskered example of government competition is the production and sale of stamped envelopes. These are actually made under private contract but for a generation past country newspaper editors who run job printing plants claim political if not divine right to this business. Approximately 1,500,000 envelopes cost the government \$1,909,000 in the last fiscal year.

Some degree of competition between prison-made goods and private products seems inescapable, but the government is diligently trying to limit it. A much larger volume of production is coming from other wards of the government, the relief workers. But little, if any, of their output is sold in the market. It is a question whether competition with privately employed labor exists even on the theory that production of relief workers for their own consumption reduces the purchase of supplies for this purpose. To a very large extent, relief workers have to do with what they make or do without.

### No Single Section Leads

Production-for-use is a characteristic but not particularly important element of work-relief, considering the magnitude of the Works Progress Administration program as a whole. The largest amount of it is in California (see accompanying table), but the largest proportion of production-for-use to the whole program is in North Carolina, Maine, Massachusetts, Delaware, Missouri, South Dakota, and Nevada. The goods projects scheduled through Apr. 15 at an approximate cost of \$119,500,000 represent only 8% of the WPA total.

Since last December, \$83,400,000 has gone into wages and \$36,100,000 into materials and overhead. Local communities have contributed \$10,200,000. Cotton garments and household "linens" turned out by sewing-rooms account for the bulk of production. These allotments total \$97,100,000.

Canning projects approved for operation at an estimated cost of \$1,100,000 also are a familiar feature of work relief. This has little effect on the canning industry as such but there is considerable local opposition to the WPA projects and also to plants financed by loans from the Resettlement Administration. Some meat has been canned by relief workers but commercial canneries will continue to pack most of the meat from cattle slaughtered because of the drought. This is widely distributed by the Surplus Commodities Corp. among relief agencies. Practically all the fruits and vegetables canned in WPA plants are consumed locally by families on relief rolls.

Other WPA goods projects turn out construction materials and a widely scattered variety of other products. In some degree, however slight, competition by the government is encountered in the following lines: architecture, baking, banking, livestock raising, printing and binding, brick-making, canvas, cement, chemicals, coal mining, contracting, cotton textiles, animal feed, furs, ice, laundering, machine shop work, shoemaking,

dairy farming, engraving, stationery, explosives, fertilizer, furniture, gasoline and oil, insurance, lumber, restaurants, leather working, brush and broom manufacture, and ordnance.

The Administration justifies further invasion of the field of private enterprise by describing its activities as a demonstration that private industry can do thus and so if it will. There were the subsistence homestead projects that, except for a few actually completed, have been "liquidated." The Resettlement Administration's "greenbelt" communities represent another attempt to make the subsistence homestead idea work on a much modified basis.

Tennessee Valley Authority's power yardstick needs only to be mentioned but TVA also is staging other demonstrations. It has produced 40,000 tons of triple superphosphate distributed through agricultural extension departments of state colleges for experimental use on cover crops. While some of this fertilizer has probably been spread on food crops, none of it, according to TVA, has actually been sold. Texas and Oklahoma have obtained samples of the TVA product with an idea of developing their phosphate deposits by the same process. TVA is authorized by Congress to go to the Patent Office and "copy all methods, formulas, and scientific information necessary."

### No Limit to Powers

In many directions in which its competition with private business is apparent, the government is "incorporated," usually in Delaware, as the New Deal soon discovered that a Delaware charter is broader than the Constitution. Under the powers acquired by such corporations, the government literally can undertake anything under the sun. Since the repeal of prohibition the government has gone into the rum business in the Virgin Islands. The Virgin Islands Co. was set up in November, 1934, presumably after an attempt to interest private capital had failed. Its product will be put on the market within the next six months when 30,000 gal. will have aged two years. Approximately 500,000 gal. are now aging.

It is impossible to measure exactly the extent to which government has gone into business. The multiplicity of its operations is more significant than its apparent volume.

Probably of greater importance than the government's own industrial and commercial operations is the competitive impact of government loans and grants of capital which, in effect, subsidize numerous enterprises, usually co-operative in organization, at the expense of competitive units. The feasibility of expanding this type of production and distribution now is being studied at President Roosevelt's direction by a group of experts.

## Government in Business

Where and to what extent WPA goods projects compete with private industry

	Estimated Cost of Production-for-Use Projects	Number of Production-for-Use Projects	Cost of Production-for-Use Projects in % of Total Cost of all WPA Projects in States
Alabama .....	\$ 2,563,037	138	12.7
Arizona .....	757,580	18	12.9
Arkansas .....	1,419,260	161	9.1
California .....	11,300,704	136	13.1
Colorado .....	2,324,641	89	12.4
Connecticut .....	840,161	96	5.4
Delaware .....	282,761	4	17.4
District of Columbia .....	506,014	4	10.6
Florida .....	1,027,009	81	6.2
Georgia .....	2,877,041	188	11.0
Idaho .....	765,182	75	11.4
Illinois .....	4,432,791	151	5.0
Indiana .....	3,247,913	271	6.5
Iowa .....	1,466,480	128	11.1
Kansas .....	2,537,878	165	13.9
Kentucky .....	2,146,699	154	9.4
Louisiana .....	972,689	51	5.6
Maine .....	811,074	95	17.2
Maryland .....	1,016,831	21	9.0
Massachusetts .....	10,816,793	424	18.7
Michigan .....	2,411,586	132	5.2
Minnesota .....	2,191,849	170	7.4
Mississippi .....	1,713,251	245	13.9
Missouri .....	6,311,215	162	18.1
Montana .....	968,602	81	13.6
Nebraska .....	1,195,037	69	11.4
Nevada .....	260,901	18	16.2
New Hampshire .....	385,077	71	9.9
New Jersey .....	2,346,543	201	5.0
New Mexico .....	375,324	45	5.7
New York .....	10,834,973	334	3.9
North Carolina .....	2,594,609	146	21.0
North Dakota .....	493,184	59	10.4
Ohio .....	6,698,979	360	6.6
Oklahoma .....	2,462,383	141	8.7
Oregon .....	702,929	37	7.5
Pennsylvania .....	5,514,301	203	4.0
Rhode Island .....	1,176,888	29	12.5
South Carolina .....	1,528,969	67	13.0
South Dakota .....	1,260,094	130	19.2
Tennessee .....	2,155,702	130	12.3
Texas .....	5,481,776	367	14.6
Utah .....	503,476	23	6.3
Vermont .....	352,347	69	12.7
Virginia .....	1,548,158	150	13.7
Washington .....	1,584,363	76	8.6
West Virginia .....	1,202,828	85	5.6
Wisconsin .....	2,764,107	143	7.4
Wyoming .....	497,218	33	11.7
Total U. S. ...	\$119,629,207	6,226	8.2

\*Dollar totals do not represent value of products but simply material costs and labor charges on WPA goods projects, scheduled through April 15.

# "Look! Those Black Rocks —They're Burning!"

*How the discovery of a lonely pioneer  
launched a new industrial era*

ONE cool night in the fall of 1792, a pioneer adventurer by the name of Neecho Allen built himself a small campfire and lay down beside it to sleep. In the morning he was amazed to discover that his fire was still burning, a deep red glow in the heart of it—a fire from which emanated an intense and unusual heat.

Allen investigated. He saw that he had built his fire the night before on certain "black rocks" which apparently had caught fire themselves and were now burning and glowing like huge, live jewels.

He was not the first to notice this phenomenon. As early as 1180 an English bishop had recorded the finding of "black rocks that burned." But he was a progressive, forward-thinking man, this Allen. He realized that here was a force far too significant to waste on campfires. He drew the attention of others to these remarkable "black rocks" . . .

And presently coal was playing a vital part in the story of civilization! Men were using the "black rocks" in furnace and forge, making iron, making steel, making power to move machines. The Industrial Revolution was at hand, changing our whole way of living.

\* \* \*

As Neecho Allen saw and suspected the tremendous Unseen Value of anthracite, so today thousands of car-owners are discovering the meaning and the importance of Unseen Value in motor cars.

The Chrysler Corporation has made America definitely aware of Unseen Value. It is not something you can see or feel. It is not a tangible thing like beauty, power or safety. Yet Unseen Value is far more real and far more vital to the car-owner than the iron, rubber,

steel, glass of which a car is made.

Fundamentally, all cars are alike. They have wheels, axles, gears, motors, brakes. One car may be a coupe, another a sedan. One may have six cylinders and be painted blue, another may have eight cylinders and be painted green. It is only when you look beyond the assembling line and search for the impelling aims and *ideals* of the organization, that you see the Unseen Value of the car you are buying.

Those who drive Chrysler-built cars know the pride and confidence that go with ownership of a Plymouth, Dodge, De Soto, Chrysler. For these four famous

cars possess Unseen Value to an *exceptional degree*.

## *The Unseen Value of Chrysler-built Cars*

It always has been the ideal of the Chrysler Corporation to improve cars in every possible way, and to *keep improving them*. Its policy has been to put into its cars, not merely the best materials, but also the inspiration and genius of the men with whom Walter P. Chrysler and his associates have surrounded themselves.

Today, because of devotion to this ideal, about *every fourth car sold* is a Chrysler-built car. People have been quick to recognize the Unseen Value of the Plymouth, Dodge, De Soto, Chrysler—the Unseen Value of Dodge Trucks and other Chrysler products. Of all American motor manufacturers, Chrysler Corporation alone exceeded in 1935 its rate of production for the boom year of 1929.

Consider Unseen Value when you buy a car. Consider the *exceptional* Unseen Value of the famous cars and trucks built by Chrysler.

### BEFORE BUYING A CAR —ASK YOURSELF THESE 6 QUESTIONS

1. *Has it proper weight distribution?*
2. *Has it genuine hydraulic brakes?*
3. *Is it economical to run?*
4. *Has it floating power?*
5. *Has it safety-steel body?*
6. *Does it drive easily?*

ONLY CHRYSLER-BUILT  
CARS HAVE ALL SIX

*Chrysler  
Corporation*

Chrysler Marine and Industrial Engines • Airtemp—Air Conditioning

**PLYMOUTH  
DODGE**  
PASSENGER CARS AND TRUCKS  
**DE SOTO  
CHRYSLER**

**YOU GET THE GOOD THINGS FIRST FROM CHRYSLER CORPORATION**



So many tragedies can happen to deplete your savings—interrupt your earnings. Isn't it wise to learn for how little you can protect against these costly hazards?

A Standard of Detroit representative—one of 8300 throughout America—is prepared to help you budget a casualty insurance and bonding program that will offer genuine protection for you, your family, and your business.

Behind his recommendation is the comforting strength of the Standard of Detroit—a company which in 52 years has promptly paid over \$148,000,000 in claims . . . protects more than a million persons . . . has offices throughout the nation ready to serve you, wherever you may be, day or night.

Consult the local Standard agent.  
His interests are yours.

Kinds of insurance written: Automobile • Personal Accident and Sickness • Burglary • Holdup • General Liability • Plate Glass • and Fidelity and Surety Bonds

**STANDARD**  
ACCIDENT INSURANCE COMPANY  
*Detroit*

## F.D.R. Cool to PWA

**President releases small sum to Ickes' program. Insists on 100% relief labor.**

WASHINGTON (Business Week Bureau) —Although \$400,000,000 would build \$660,000,000 in public works, when distributed in 45% grants by the Public Works Administration, it's not worth a dime until it's spent. And President Roosevelt obviously is lukewarm regarding this feature of the new work-relief program. Although the new relief act was passed June 22, nearly two months ago, less than \$25,000,000 had been released up to last week.

The money is drawn from funds recovered by the sale of municipal securities purchased by PWA in financing previous projects. It is a concealed appropriation as it would otherwise be recovered by the Treasury. The President is trying hopefully to make it draw its proportionate share of the relief load. The list of projects approved to date includes only those in which the municipalities sponsoring them have been able to certify that 100% relief labor is available for their execution.

This is tough going for most cities as a tabulation of 3,000,000 persons on Works Progress Administration rolls reveals that 2,250,000, or 77%, are common laborers.

## Indict Oil Majors

**Madison, Wis., federal grand jury charges big producers with anti-trust violations.**

WHILE the Federal Trade Commission considers a marketing code submitted for its approval by the oil industry, a United States district attorney announces wholesale indictments for gasoline marketing practices alleged to be in violation of the Sherman anti-trust act. The indictments mean that independent jobbers of gasoline have won the first round against the petroleum colossi. Old charges that the majors were driving independents to the wall are now echoed in government statements.

Uncle Sam was pulled into the argument by the National Oil Marketers' Association (BW—Apr 25 '36, p8). Early in May a federal grand jury in Madison, Wis., began investigating. This week District Attorney John Boyle announced in Madison that indictments had been obtained against 23 major oil companies, three publishing companies, and 58 individuals. Charges are that they "combined and conspired" to increase and fix prices on gasoline in interstate commerce between February, 1935, and the present.

Those indicted are the following oil companies and many of their personnel,

including some presidents: Standard of Indiana; Socony-Vacuum; Cities Service; Continental; Gulf; Pure Oil; Shell Petroleum; Sinclair Refining; Texas; Tide Water; Mid-Continent Petroleum; Phillips; Skelly; Barnsdall Refining; Globe Oil & Refining (three companies, at Blackwell, Okla.; Lemont, Ill., and McPherson, Kan.); Deep Rock Oil; Cities Service Export; Empire Oil and Refining; Louisiana Oil Refining; Gulf Refining; and Wadham's. Also the Journal of Commerce Publishing Co., Chicago; W. C. Platt Co., Cleveland, publisher of *Platt's Oilgram*; and the National Petroleum Publishing Co., Cleveland (also headed by Warren C. Platt), publishing the *National Petroleum News*.

## Charged With a Squeeze

Crux of the independents' accusations was that the majors established high prices at which the jobber bought gas, and that, through controlled service stations, they maintained low retail prices. The independents claimed that this squeeze threatened them with extinction. While the independent depends on the margin between tank car and tank wagon quotations, the big fellows can draw their profits all the way from the oil well to the retail outlet.

The Madison true bill charges that gas prices were manipulated by concerted buying programs or pools in East Texas, Oklahoma, and nearby Mid-Continent fields; that the defendant companies bought up spot gasoline from independent refiners at artificially high prices which were maintained as market prices; that under long-term supply contracts the price to the jobber was established by average spot market quotations as published in the *Chicago Journal of Commerce* and *Platt's Oilgram*; that the result was the raising and fixing of prices to the jobbers and the exaction of large sums from them. Most of the transactions attacked involved gas sales in Michigan, Wisconsin, Indiana, Illinois, Minnesota, North and South Dakota, Iowa, Missouri, Kansas.

The two publications are named in the indictments as having aided the alleged conspiracy by printing the "agreed" pool prices as open market prices. Unless collusion is proved, it is hard for the layman to understand how a periodical can be penalized for publishing commodity quotations furnished from outside sources.

The original buying pools were organized to sop up surplus gasoline during Sec. Ickes' overlordship of the NRA petroleum code. Independent refiners agreed, when selling, to limit production. Warren C. Platt declares that practices now charged against the defendant companies stem from NRA days. Evidence presented to the grand jury went back to that time.



## Auto Dealers' Income

Association declares hardly any earned 5% on their sales volume in 1935.

ONLY 5.31% of over 1,200 automobile dealers managed to earn the elusive "standard" of 5% net profit on the amount of their sales in 1935, which the trade considers fair return on effort expended, according to the National Automobile Dealers Association. Of the balance 77.66% made less than 5% net and 17.03% lost money, according to the association.

Its assertions are based on a long study of operating results. Only 6% of the dealers making reports were in the "big business" class doing over \$1,000,000 annual sales volume; 49.92% had sales ranging from \$250,000 to less than \$1,000,000; 34.04% sold \$100,000 to \$250,000 worth, the rest reported less than \$100,000.

Translated into number of cars sold the 1,200 dealers ranked as follows:

	%
Over 1,000 cars.....	1.50
500 to 1,000 cars.....	7.13
250 to 500 cars.....	22.69
100 to 250 cars.....	42.95
Less than 100 cars.....	25.93
	100.00

Their profit-and-loss percentages, in relation to total sales, were as follows:

	%
Loss.....	17.03
0.00 to 0.99.....	24.60
1.00 to 1.99.....	22.87
2.00 to 2.99.....	15.43
3.00 to 3.99.....	9.44
4.00 to 4.99.....	5.32
5.00 to 5.99.....	3.32
6.00 to 6.99.....	1.06
7.00 and over.....	0.93
Total.....	100.00

The association insists that discounts need boosting, if automobile manufacturers are to get the most efficient distribution, the public the best service.

Gross profit on new cars averaged 20.98% of sales while used car operations caused a loss of 5.64% of sales and total operating expenses were 16.43% of sales.

## Chevrolet's Record

Selling the millionth car of its 1936 series, it sets a new high for the industry.

WITHIN the next week the Chevrolet Motor Co. will have sold in the United States the millionth car at retail of its 1936 series. Having fallen within a span of little more than nine months, this performance is believed to be a record for the industry.

In May and June, according to final figures, Chevrolet dealers sold a total of over 700,000 new and used cars, a mark



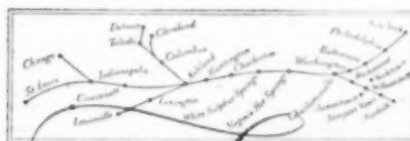
## A TOTAL SUMMER ECLIPSE

Here's a sure prediction about the weather on George Washington's Railroad during August: Days will be cool—nights, too—because Chessie is due to eclipse Old Sol! Over the entire length of the Chesapeake and Ohio Lines her comfortable shadow will fall—and passengers

on The George Washington will Sleep Like a Kitten and Arrive Fresh as a Daisy. Witness the phenomena yourself the next time you take a trip. The ticket agent of any railroad can route you on the finest fleet of genuinely air-conditioned trains in the world! Insist upon it!

## THE GEORGE WASHINGTON • THE SPORTSMAN • THE F.F.V.

Visit the Chesapeake and Ohio miniature model railroad, the largest in the world, at the Steel Pier, Atlantic City—during August and September.



## CHESAPEAKE and OHIO Lines

Original Predecessor Company Founded by George Washington in 1785

"A-L-L A-B-O-A-R-D The George Washington!" ST. LOUIS-Union Station; CHICAGO-12th Street Central Station; INDIANAPOLIS-Union Station; LOUISVILLE-Central Station; CINCINNATI-Union Terminal; WASHINGTON-Union Station; PHILADELPHIA-Pennsylvania R.R. Stations; NEW YORK-Pennsylvania Station.



# Invest Idle Dollars in **BROWN** INSTRUMENTS

"BROWN Recording Instruments have saved us \$17,500 a year by checking waste in plant operation."

"Brown Indicating Instruments enable our engineers to reduce costs in the generation and distribution of steam."

"Brown Control Instruments stepped up our production and improved quality."

Lower cost records like these written in every industry show how idle dollars invested in Brown Instruments can earn profits.

In manufacturing processes, where temperature, pressure, flow, liquid levels, humidity, etc., are a part of production costs — it is not only a sound investment but good practice to provide operators with Brown Indicating Instruments, and the engineer or plant superintendent with Brown Recording Instruments as well. Brown Instruments will reveal

instantly any deviation above or below the most efficient operating standards.

Regardless of the size of the plant or the complexity of the problem, Brown Instruments furnish essential information that points the way to increased profits. You will be interested in reading our brochure, "Instruments from the Executive Viewpoint." Why not instruct your secretary to write for it today. Brown Instrument Company, 4525 Wayne Ave., Philadelphia, Pennsylvania.

## Brown Instruments and Controls

Temperature Indicators and Recorders

Thermometers

Pyrometers

Potentiometers - Millivoltmeters

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Pressure - Liquid Level - Draft

Flowmeters - CO<sub>2</sub> Meters

Hygrometers - Tachometers

Automatic Controllers

Control Valves

Electric and Air Operated

5 YEARS OF PRECISION MANUFACTURE  
**BROWN INSTRUMENT CO**

A Division of

**MINNEAPOLIS-HONEYWELL REGULATOR CO**

BRANCHES IN ALL PRINCIPAL CITIES



*Business Week*  
**THREE-YEAR PLAN**—Late in 1933, Vice-Pres. W. E. Holler of Chevrolet put a new plan in operation, selecting dealers carefully, weeding out here and there. This year his plan bore fruit in record sales.

never before touched in a 60-day period. The Chevrolet management estimates that 98% of its dealers will make money this year. A pretty tall record.

Apparently this is no flash in the pan. Last year Chevrolet dealers delivered at retail 43% more cars than the previous year, although the gain for the industry was only 30%. Thus far in 1936 the sales increase for Chevrolet is 54%, that for the industry 7%. Net profit of Chevrolet dealers during 1935 was double '34. This year it will be six times greater than '35. Dealers' net working capital in one year has grown 27%.

What's the explanation? The answer is to be found in the quality dealer program originated and carried out by Vice-President William E. Holler of Chevrolet. Started in December, 1933, it has two factors—dealer profit and dealer permanency—as its foundation. Selection rather than multiplicity of dealers is the cardinal feature.

Since the early days of the automobile industry, car manufacturers have gone on the theory that retail sales are in proportion to the number of retail outlets; therefore the all-important job has been to appoint more dealers, regardless of the size of a given market. The depression messed up things, reducing potential business to an average of 25 sales per dealer per year. Too many dealers still remained, causing average productivity of all dealers to decline. The result was development of malpractices, such as overbidding for used cars, misrepresentation of products, bootlegging of cars, open cash discounts.

Back in 1933 Chevrolet decided for its own sake that dealers must do a profitable business. It began a program essentially as follows: No territory is to be jammed with too many dealers. The

# These packages are ...making **NEWS** ...making **SALES**



**MOST INTERESTING NEWCOMER** to the long list of products kept fresh in vacuum is novocaine . . . put up in rubber-tipped cylinders, ready for the dental syringe . . . and proving to be an important step forward in the packaging of this highly perishable product. For many delicate and costly pharmaceuticals, there's only one answer. It's "the vacuum can that opens with a key."



**WHEN AUTOMOTIVE PARTS** go to market canned—that's news! One manufacturer decided to bid for increased piston ring business by putting his product in cans. A stunt? Not at all. He gets a container that keeps his product rust-proof, protected, merchandisable. And he's getting increased sales!



**BEEN DOING WITHOUT** a pouring spout for edible oils and syrups? . . . too expensive? . . . hard to stack? . . . costly to fill? This brand new spout answers every objection. It's dirt cheap. It attaches after the cans are filled and sealed. And cans stack—because this spout lies below the rim. Available for pints, quarts, gallons. Like to see it? . . . Price it?



**PROBLEM:** baking powder manufacturers needed an inexpensive container that would keep extra dry. Our solution: this fibre package, lined with glistening foil—something utterly new and a big success. Moral: you may have products that must keep dry—in the store, in the home. Here's an inexpensive package that does it.

## AMERICAN CAN COMPANY



230 Park Avenue

New York City



number is to be in proper ratio to the size of the market and Chevrolet's desired portion of it. Each dealer must have adequate capital, strong management, an efficient sales program. If he can't measure up to these requirements and make a profit, he must be replaced (instead of adding another dealer).

To develop this far-reaching program Chevrolet set up a quality dealer department. Surveys have been made, and still are being made, of cities throughout the country. These surveys take into account the size of the passenger car and truck market, location of shopping centers, shift in population from year to year, classification by income, location of new and used car markets throughout city (block by block), present and future sales possibilities.

Included in the studies are rentals, overhead, building, space of each dealer. Each dealer's business then is analyzed department by department as to capital, management, sales and service.

Finally, out of the surveys are evolved recommendations regarding the number of Chevrolet dealers the market and city can support, the best location for

each dealer, the size of each dealer's contract in line with his local market, and the changes to be made. These recommendations go before a quality dealer planning committee at Detroit composed of General Motors and Chevrolet executives. They make the final decisions that put the quality dealer program into operation.

A word regarding the man who has directed the program. Mr. Holler eats,

drinks, talks, and sleeps Chevrolet. He knows personally every dealer from coast to coast. He is seldom in his office, being constantly on the selling line, always traveling by plane. When he started his quality dealer program, many people in the industry (even in his own organization) thought he was crazy. To reduce the number of dealers instead of increasing them was unheard of. Chevrolet's success has proved him right.

## Big Money for Auto Research

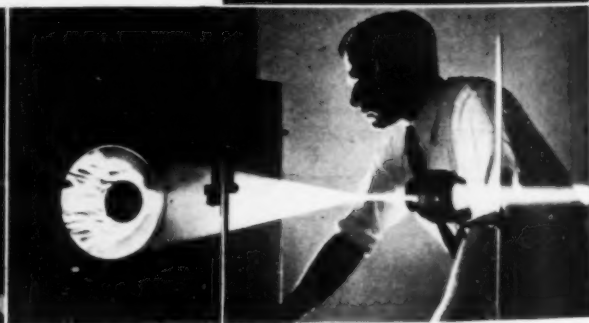
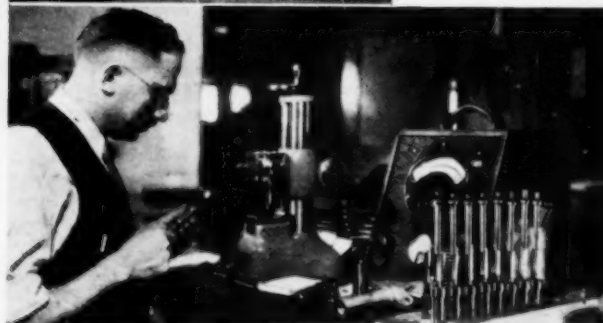
**General Motors spends a million to enlarge its laboratories, Ford also is increasingly active. Research has wide range of subjects.**

RESEARCH always has loomed large in the automobile industry's success. With the 1936 model year rapidly drawing to a close, car manufacturers are pouring large sums into additional research.

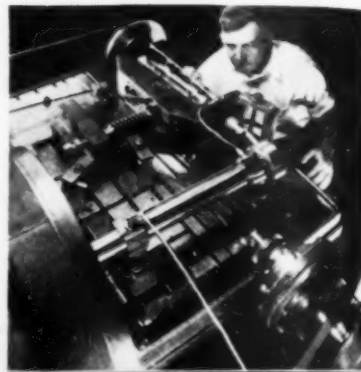
General Motors alone is spending a million dollars to enlarge its 11-story research laboratories building in Detroit. Ford has recently completed a new chemical and metallurgical laboratory at Dearborn as part of its \$37,000,000 modernization and expansion program.

Largest single research project in the industry is that of General Motors. Its laboratories, under direction of famed C. F. Kettering ("Boss Ket"), have paid their way many times by making people dissatisfied with the old products and old processes. The research division consists of 15 departments, is manned by 600 chemists, metallurgists, physicists, mathematicians, engineers, and skilled mechanics. Each G. M. car division also has its own research staff.

The researchers dig for scientific information needed as the basis for further improvement of specific products. Their labors are productive of a wide range of developments—a better diesel locomotive, rearrangement of atoms in a motor fuel molecule, better automobile finishes, progress in elimination of vibration and



**FIRST AND LAST**—Before your automobile or diesel engine is built, and after it is built, research plots its performance, durability, economy, safety. These scenes illustrate some of the steps in the General Motors laboratories (left, reading down): cathode ray oscillograph testing electrons at high speed; proving-ground wheel measuring miles per gallon exactly; inspector testing injector parts for diesel engines; (right, reading down): studying diesel engine valve gears; finding center of gravity on a new model; making pictures of air flow around a moving object.



# A NEW, BIGGER, BETTER more economical MULTIGRAPH

To keep pace with the demands of business for greater economy and wider diversification in office duplicating and printing, a new Multigraph of greatly expanded utility has been perfected and is now ready.

Designed for office use . . . and embodying many important improvements . . . the new Class 300 produces a greater variety and larger size of forms, advertising and sales literature in one or more colors, using many styles of type, electrotypes of line cuts and halftones. And when desired, it numbers and perforates forms, or produces multiple typewriting for sales-producing letters and other uses.

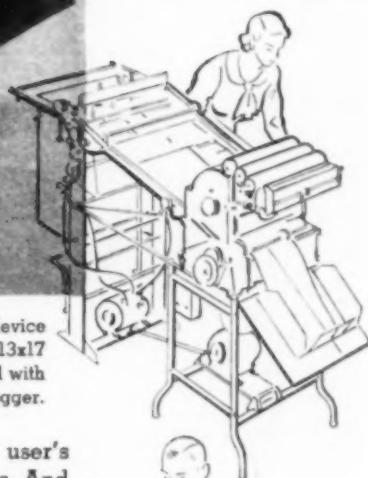
A versatile machine for active duty in all departments of business, this new Multigraph prints . . . at high speed . . . all varieties of office, store and factory stationery and forms . . . folders, broadsides, booklets, catalog pages . . . labels, wrappers, tags and similar jobs. It saves from 25% to 75% on production costs!

Wherever forms of any kind are used, the new Class 300 produces them easily,



The new Class 300 Heavy-Duty Multigraph . . . an office device that produces forms up to 12 $\frac{1}{2}$  x 13 $\frac{1}{2}$  inches on sheets up to 13 x 17 inches, at the rate of 4,500 per hour. Shown here equipped with automatic suction paper feeder and mechanical paper jogger.

...now ready with increased utility, increased output, greater savings, improved quality



quickly, economically . . . in the user's own office, by his own employees. And the quality of the work measures up to the high standards required by business.

A new folder describing the new Class 300 Multigraph and supplying information on its many uses will be sent on request. No obligation, of course.

MULTIGRAPH DIVISION  
ADDRESSOGRAPH-MULTIGRAPH  
CORPORATION  
CLEVELAND • OHIO



**Multigraph** . . . AN ESSENTIAL OFFICE DEVICE

noise. Among the strangest and most fascinating results is a high-speed camera designed to find out what happens inside the combustion chamber of an automobile engine.

The camera photographs the combustion process through a glass cylinder-head in a single-cylinder engine of the size used in a motor car, taking as many as 5,000 pictures per second on a motion picture film. The ordinary movie camera takes 24 pictures a second.

Fuel is so important to the industry that a special section of the research laboratories is devoted to it. Elimination of engine knocks is a prime consideration; along this line the fuel research section has to its credit the creation of "ethyl" gasoline.

### Research Means Recovery

Research, believes General Motors, has its economic benefits for the country. Expenditure of large sums for research is part of the corporation's theory that the invention of new products, or the discovery of new and better ways of doing things, causes people to want and buy the new things, creating more jobs.

Just as essential a part of the G. M. research activities as the Detroit laboratories is the proving ground at Milford, Mich. In a 1,268-acre outdoor laboratory are straight and curved roads,

bumpy and smooth ones, hills and speedways, cobblestones, macadam, gravel, and dirt trails. It serves as a check on every new model and new device; a means of measuring performance of G. M. and competitive cars, both American and European; a place where future improvements may be incubated.

Ford's new laboratories are located in close proximity to production machinery. This is so that research workers live not in an air of detached theory, but with practical problems of achievement.

An X-ray department occupies a portion of the laboratory. A diffraction machine with a tube of new design will obtain in 20 minutes pictures formerly requiring 24 to 70 hours of exposure. In the metallographic section is a profilograph to gauge the efficiency of material finishing; it answers the question "how smooth is smooth" in terms of millionths of an inch.

A staff of 65 technicians working in shifts keeps a close check on the quality of materials going into Ford cars. Similar testing is done in 12 other laboratories throughout the Rouge plant and in many other Ford factories.

Chrysler Corp. carries on extensive research in its engineering division in Detroit. Physical facilities are adequate for any sort of engineering test; it might be a life test on a horn button or the

Belgian roll which simulates driving on a very bad road. There are hot and cold rooms where parts and complete cars are subjected to varying temperatures, a wind tunnel, a laboratory for testing electrical equipment. There is a special department for carburetor development and testing. Laboratories include those for chemical and physical properties, rubber, radiators.

A few of the achievements of Chrysler research are floating power, hydraulic brakes, all-steel bodies, aluminum pistons, Airflow design, proper distribution of car weight.

## Methuselah Battery

**Kathanode produces a battery guaranteed as long as the motorist owns his car.**

A NEW long-life automobile battery has come on the market, is expected to give established brands something to worry about. It is the Kathanode, which steps boldly out with a guarantee that it will last as long as the motorist owns the car. Both the replacement and new-car fields will be invaded. It is understood that Hudson has arranged to equip its new cars with the Kathanode.

The principle of the new battery has stood up for 11 years. Plates of the Kathanode are protected by layers of spun-glass mats. This holds in place the lead particles which compose the active material and are the heart of the storage battery. It is the dropping off of these particles through vibration and normal wear that shortens the life of regulation batteries.

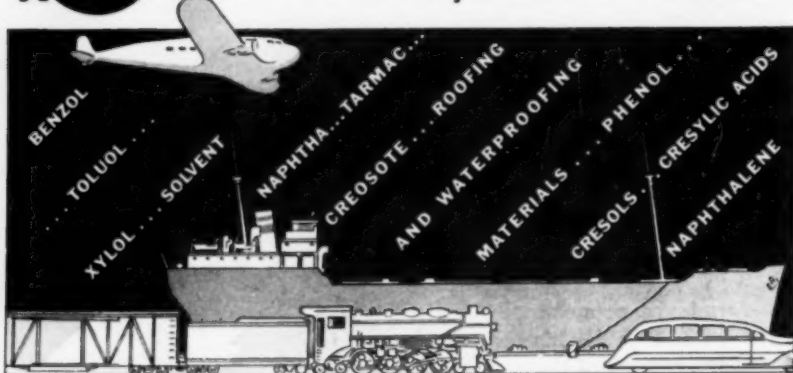
Kathanode batteries have long been used on job-order and special installations. The hardihood of the glass-clad positive plates has been proven in railway equipment from streamlined trains to signal systems. The navy uses them in submarines and battleships.

### Solving the Problem

The reason they have not already been adapted for passenger cars is the problem raised by the size of the plates which are 22% larger than those in standard use. Redesign of the container overcame the handicap. It is claimed that this accommodates oversize cells, gives space for more acid; permits a larger assembly of wider, higher plates without increasing outside dimensions.

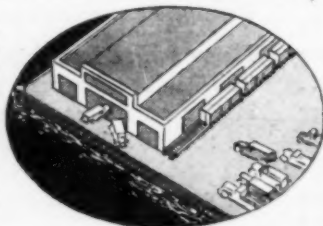
Kathanode Corp. (New York and Chicago) announces that batteries manufactured under its patents will be distributed in the fall lines of Gould Storage Battery Corp., General Tire & Rubber, National Battery, Pure Oil, Richfield Oil Co. of California, and Vesta Consolidated, Inc. Each Kathanode carries an unconditional guarantee for "as long as the purchaser owns his car."

## KOPPERS AND THE Transportation INDUSTRY



Koppers Benzol is blended with gasolines to make anti-knock motor fuels. Millions of gallons of Koppers Tarmac are used for road construction, for airports and parking areas. Koppers Creosote is used to protect bridges, wooden culverts, ferry slips, piling, ties and other lumber. Koppers Benzol, Toluol, Solvent Naphtha are used as solvents and diluents in lacquers and sprays. Koppers Roofing and Waterproofing are used on railroad depots, bus terminals, piers and airports. Koppers Phenol, Cresols, Cresylic Acids, Naphthalene and Solvent Naphtha are raw materials for synthetic resins used for finishes and special parts.

**KOPPERS PRODUCTS CO.**  
PITTSBURGH, PENNSYLVANIA



1. Tarmac for Roads
2. Roofing Materials
3. Waterproofing Materials
4. Bituminous Paints
5. Creosote for Wood Preservation
6. Light Oils
7. Tar Acids
8. Coal Tar Pitches

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## War of Towels

Suppliers of cloth towels will fight paper competitors by offering paper.

CLOTH TOWEL supply firms, fighting a losing battle against paper towels, are about to change their tactics—and their towels. They have decided to fight paper towels with paper.

A few towel supply firms on the Pacific Coast have, for the past year, been flirting with paper towels, offering them only when there was no chance for cloth. Their sales argument was that their routemen would service the paper dispenser, keeping it filled and, if desired, supply soap.

The proposition which the towel supply men now have to offer is this: A metal cabinet, with mirror, that holds a roll of absorbent paper instead of folded sheets. To use the cabinet one must turn a side crank which produces one towel length to be torn off. Case studies of washrooms are exhibited to prove that 55% fewer paper towels are used than with the more readily available folded paper towel.

To meet the objection to a wet, and possibly insanitary, crank handle, a continuous roll cabinet is now being manufactured and distributed on the Pacific Coast without any appendages; the user, if able to understand the printed directions on the front of the cabinet, gives the towel a slight upward push which releases a ratchet and then allows him to pull out one towel, tear off and use.

### One Towel, Then Pause

At the linen supply men's convention Steiner Sales Co. surprised everyone with the announcement that paper towels and a new time-lock cabinet would be pushed by the firm's new department. Steiner's time-lock dispenser is the last word in economical (washroom patrons will call it stingy) distribution; a patented feature used for years on Steiner's continuous cloth towel cabinets is now on the paper dispenser; it is a device to prevent more than one towel being served in a 5-second period. Towel supply firms all over the nation sent their sales managers to Chicago last week to attend a school conducted by Steiner. The suggested selling price for a roll (500 towels) of paper toweling, 50¢; for the patent cabinet and soap supply, 50¢ with discounts for quantity installations.

Several of the leading paper mills have announced new lines of paper towels in rolls, with cabinets—not ordinary dispensers—which will be sold through wholesale paper houses. Continental Paper Co., a subsidiary of International Paper, has a cabinet on the market; wholesalers handling the Mosinee line of kraft paper have been told that a styled cabinet is on the way.

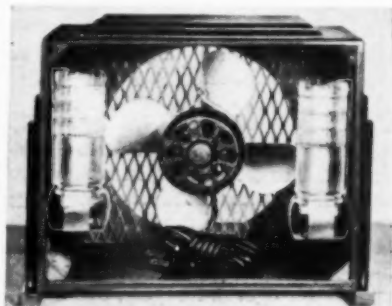
## New Products

New things, new designs, new packages, new manufacturing and marketing methods.

In asking further information on new products or submitting data on newer ones, address *Business Week's* Chicago offices—520 N. Michigan Ave.

THE Pennsylvania-Dixie Cement Corp. offers to dealers and contractors a booklet containing a number of tables giving suitable mixes and other valuable data for the most common types of concrete work. Besides prescribing the proper proportions of cement, aggregates, and water and the most desirable consistency for satisfactory results, there is a table showing the approximate volume of concrete produced and the compressive strength after specified periods of "curing." A method is provided for quick calculation of the required quantities of materials for specific concrete jobs. The booklet is free to business concerns.

A NEW application of the electric fan is found in the odor disseminator announced by the Ira E. Baker Co. Fan and motor are enclosed in a cabinet styled after a small radio set or loudspeaker. The cabinet also holds two



bottles from which any desired aroma or a deodorant may be disseminated into the air-stream. The outfit may be obtained in several styles of cabinets and finishes, and six odors are available.

A NEW, remote reading gauge for use on fuel-oil tanks is announced by the Narragansett Products Corp. It consists of a tank unit with float, an instrument case, and an outside signal light. The instrument case is mounted inside the building and has a dial on which a reading appears, when a switch is turned on, of the number of gallons of oil then in the tank. It also has a neon glow bulb which lights automatically when the contents of the tank reach a predetermined low level. This light remains lit until the supply has been replenished. The outside signal light is provided to warn the driver of the tank truck, and it functions when the tank is full.

## PLAYING AN UNSEEN ROLE



## IN THOUSANDS OF PRODUCTS

In an uncounted number of things you touch and use, is a material few people have ever seen. It adds strength and hardness to the product... gives it resistance to oil, acids, moisture and wear... adds other essential qualities.

*Why are your brakes so silent and smooth?* There's Durez synthetic resin in the lining. *Why are your timing gears so quiet?* Resin again. *Why doesn't your steering wheel blacken your hands?* It's coated with hard, wear-resistant Durez resin.

*What are these resins?* They're chemical products—man-made. They make tiny, stable radio resistors possible. They keep your golf-club heads from swelling and cracking... keep brush bristles tight. They fasten light bulbs to light shells.

Durez synthetic resins water-proof felt, paper and fabrics... they coat metal, rubber, composition and glass. They bond asbestos, plywood, sandpaper and clutch discs. They impregnate, size, water-proof and protect thousands of other products.

Is there a place in your manufacturing processes for these versatile Durez materials? Why not find out? Write us today.

### SEND FOR BOOKLET:

Durez Resins—powders, solutions, colloids.  
General Plastics, Inc., 113 Walck Road, N. Tonawanda, N. Y.



**DUREZ**  
POWDERED AND SOLUTION COLLOIDAL  
*RESINS*

# SILVRAY LUMINAIRES

Designed for use  
with the SILVERED  
BOWL MAZDA LAMP



Silvray  
"RCS"  
Unit

**SILVRAY** offers a complete line of attractive luminaires to meet the most exacting requirements of efficient indirect lighting in homes, commercial buildings, offices and industrial plants.

Silvray Luminaires have been designed to utilize to the full the important advantages of the Silvered Bowl Mazda Lamp, reducing the weight and bulk of fixtures, eliminating the constant necessity for cleaning bowls and reflectors which has hitherto represented such a sizeable maintenance item.

Each of these Silvray Luminaires meets highest modern standards for indirect illumination, combined with economy and correct styling.

Our new complete illustrated catalog contains valuable suggestions leading to "Better Light for Better Sight." A copy will be mailed promptly upon request.

The complete Silvray line is available through 78 Graybar houses.

**SILVRAY LIGHTING, INC.**  
School St. and Nelson Avenue  
LONG ISLAND CITY, N. Y.

Offices in



Principal Cities

## Newspapers Pick Up

Improved business shown in sale of Philadelphia *Inquirer* and in radio tieups.

NEWSPAPERS, busy reporting news of business recovery, currently have another item of interest right on their own doorsteps: the newspaper business itself is up and coming.

Buying and selling is going on again. During the earlier part of the depression, customers for newspapers were few and far between. Now the market is waking, notable indication being the transfer this week of Philadelphia's *Inquirer*, oldest and second in circulation in the Quaker City, to Moses L. Annenberg. Sellers were the Patenotre family, and price was \$15,000,000.

Of prime interest to the trade was one question: did Mr. Annenberg represent William Randolph Hearst, who was his boss for 26 years? If so, J. David Stern, publisher of the Philadelphia *Record*, would have the reply to a challenge issued last fall, when he suggested that Mr. Hearst move into town and try conclusions as to who could take whose circulation.

Mr. Annenberg, questioned on this point, was emphatic in denying that there was any Hearst tinge to the deal. He reminded interviewers that he retired from the Hearst organization some ten years ago and is in his own right a successful publisher, mainly of sporting and entertainment papers, as well as of the *Miami Tribune*.

### Up the Ladder

Newspapers in general have something else to crow about, in addition to optimistic trading. Advertising linage for the first half of this year was 8.8% ahead of the same period in 1935, and bids fair to round out the year with even better figures. Roughly, this means that the daily journals are now halfway up the ladder from depression's lowest mark in 1933 to the highs of 1929.

Further, there is more than a hint of the future in the mass movement of newspapers toward radio tieups. Of some 600 stations in the United States, a hundred or so are owned and operated by newspapers. Another sizable group are "affiliated" with newspapers, with somebody else doing the operating. Applications for permission to build and operate radio stations come in to the Federal Communications Commission from newspaper owners at the rate of five or six a week.

The Hearst chain, with a half-dozen stations and an eye on five more, is the largest newspaper-radio tieup, but Scripps-Howard, through Continental Radio Co., owns and operates two stations and has set no limit on its plans, other than to seek radio outlets in cities where there are no facilities available to



**HIS GAME**—Moses L. Annenberg, known to thousands of newspapermen as a hard-hitting, daring and resourceful executive during his 26 years with the Hearst chain, is moving in to Philadelphia—new owner and publisher of the 108-year-old *Inquirer*.

its papers. If Scripps-Howard had a radio station for every paper, it would have 23, but the FCC does not pass out stations and channels with a free hand. Two Scripps-Howard applications (for stations in Columbus and Toledo) received adverse examiners' reports last month, and may be denied.

Politically, the race for newspaper-radio precedence is very hot. Scripps-Howard, for instance, wants to set up a station in the national capital, and to operate it on the frequency now used by WOL in Washington. WOL also has an application on the FCC fire, asking greater power for its station. And Clarence C. Dill, former senator from Washington, also has asked for a channel in the capital, competing with the other two for the same frequency.

## Restored Harmony

**Warner Bros. goes back to ASCAP, patching up united front for music collections.**

SOUNDS of sweet harmony issuing from a Rockefeller Center board room last Monday marked the return of Warner Bros.' music publishing houses to membership in the American Society of Composers, Authors, and Publishers. No penalty was imposed on the prodigal. ASCAP is happy enough once more to present a united front when it passes the hat to make music users shower down for its members.

Warner Bros. withdrew from the organization on Jan. 1 because it felt its percentage of the pooled collections was

too small (BW—Jan 11 '36, p14). Disorders that followed were middling. National Broadcasting and Columbia immediately stopped playing Warner tunes. Loss of this powerful plug hurt sales of Warner music. Warner then skedaddled all over the map, signing up independent stations and slapping suits on alleged copyright infringements. Dropping of over 200 actions asking some \$4,000,000 damages (as a feature of the reconciliation) measures the lack of success in the courts.

No fatted calf celebrated the return of Warner's. But it retains its former seniority rights which are important in splitting the annual pot. ASCAP comes out the big winner. The reunion means that radio stations have small chance of forcing reductions in the rate they pay or shaking off the flat annual levy.

In 1935 ASCAP split more than \$3,000,000 on a 50-50 basis between music publishers and composers. Most of it came out of radio, but movies, theaters, hotels, night clubs, etc., also contributed. It is said that radio interests provoked the federal anti-trust suit which the music association is fighting. This is about the only fly left in the ASCAP nectar.

## Dynamite Price War

**Smaller demand by construction industry starts a series of sharp declines.**

With the world arming to the teeth, and in spots actually coming to blows, it would seem a strange time for dynamite makers to stage a little private war. But in the past three months prices have been slipping in American cities, as well as in Montreal.

Bulk of explosives sold is not for war, but for construction and coal mining. Last year the total sales of 304,581,020 lb. fell short of the 1934 volume by 3%, mainly because the construction industry took 18% less than the year before. On top of this shrinkage in demand is the presence of substantial unused capacity.

So prices were pared to rake in the available business. Before the close of 1935, prices in Chicago of 40% gelatin dynamite had dropped from 18.5¢ per lb. to 15.5¢. Detroit and St. Louis prices also fell. In May, 1936, other cities started having price cuts, and in some cities prices have now been cut a second time.

Sufferers in the price war include Atlas Powder, 75% of whose business is in explosives, and Hercules Powder, reputed to have about half of its sales in explosives. Current earning reports, however, indicate that both companies have been able to better last year's figures, through a better volume of sales from principal consuming industries.

# OFFICE LIGHTING "New Style" . . thanks to G-E Silvered Bowl MAZDA lamps



Offices of The Hankins Container Co., Cleveland, Ohio. Lighted by Silvray RCS units and 300-watt G-E Silvered Bowl MAZDA lamps.



G-E Silvered Bowl MAZDA lamps are regular MAZDA lamps with a coating of "mirror" silver on the bowl. Available in sizes from 60 up to 500 watts.

**Better light plus new variety in indirect lighting fixtures: That's what G-E Silvered Bowl MAZDA lamps offer.**

They permit the lighting fixture to become a dress or shield, which may be styled in a variety of designs to suit architectural or decorative schemes in stores, offices, schools, shops and public buildings. This is especially helpful in planning lighting where form, size and appearance of fixtures present a problem.

**FOR MODERNIZING OLD LIGHTING**  
In the case of old indirect lighting fix-

tures in which the reflecting surface has deteriorated, or in semi-indirect units in which the size of the lamp used is already up to the limit of brightness comfortable to the eye, G-E Silvered Bowl MAZDA lamps may offer an economical expedient to meet the demand for better lighting. In indirect units, these new lamps quickly restore initial efficiency; in some types of semi-indirect fixtures, they allow larger lamps to be used with comfort.

Ask your supplier of G-E MAZDA lamps for full information about G-E Silvered Bowl MAZDA lamps, or write Department 166, General Electric Company, Nela Park, Cleveland, Ohio.

New G-E Light Meter measures light as readily as a thermometer measures temperature. Every office manager should have one. Only \$11.50.



# GENERAL ELECTRIC



## Give Cash and Have It

**Optional dividend is way to escape undistributed earnings tax, yet keep cash.**

THIS week's tax puzzle: how can a corporation pay a dividend to escape the 7% to 27% undistributed earnings surtax and yet hold on to its cash? The answer is to be found partly in a near-forgotten custom of the 1927-1929 era; partly in an opinion of John J. Burns, general counsel of the Securities and Exchange Commission; partly in the revenue law itself; partly in legal precedent, and partly in common sense.

Back in the days when business had a champagne taste, but not always a champagne pocketbook, many corporations decided it would be a grand idea to pay dividends without disbursing cash—if possible. It made the stockholder feel good. The result was the optional dividend, payable in cash or stock. This device fell with the crash; but now, under the impact of the new revenue law, it may come back.

### Stockholder's Choice

The option lies with the stockholder. He can take the stock or cash, whichever is most profitable. If, for instance, a company declares a dividend of \$1 a share or 1/10 of a share of stock, and the stock is selling in the open market for \$11, the percentage would be in favor of accepting the stock. The stock dividend could be sold for \$1.10.

The SEC has made it easy for companies to revert to the stock-or-cash distribution. In a special opinion on the subject, Counsel Burns decided that such securities need not be registered with the commission, since they are not a "new issue." This eliminates red tape incidental to issuing the shares necessary to disburse the dividend.

The success of a stock-or-cash dividend depends entirely on the relationship between the cash the directors vote to pay and the cash stockholders can realize by sale in the open market. Obviously, the latter must be equal to or higher than the dividend cash, or shareholders pass up the stock option.

### Little Doubt on Legality

In legal circles, there is little question that this method of paying dividends will come within the scope of the revenue act and apply as relief against the undistributed earnings surtax.

A dividend, to be a valid exemption under the law, must be taxable and the option dividend, because of the cash alternative, is subject to individual income taxes.

The broad principle governing the taxability of dividends is whether the status of the stockholder is changed. Clearly, when cash is paid out, the status of the shareholder is altered. He re-

ceives cash and his interest in the corporation is reduced by the amount of the distribution. Likewise, if a company distributes property, or shares of stock in another company, a change of status is presumed to have taken place; but a straight common stock dividend to common stockholders, without cash option, probably would not constitute a dividend under the tax law, whereas a common dividend to preferred stockholders (which involves an alteration of status) might be considered a valid payment.

Dividend policies, despite numerous recent increases or extra payments (General Motors, United States Steel on its preferred, Chrysler to the highest in its short but powerful history), are still unsettled by the new law. In fact, most major corporations have not even computed the undistributed earnings tax on first-half earnings—probably because dividend policies for the year are far from decided.

Commonwealth Edison, one of the few companies to figure the tax (others were Chrysler, Continental Can, Sun Oil), notes specifically the vagaries of the law, saying: "The amount accrued for such surtax . . . may be subsequently changed depending upon fluctuating factors during the remaining six months." The fluctuating factors, presumably, are earnings, dividends, and the final relationship at the end of the year of earnings to dividends.

## Cotton Pool Kick

**Liquidation is finished, members made profit, but some have a complaint.**

THE old Farm Board cotton is gone but don't let anyone tell you it's forgotten. For one thing, it has left a \$200,000,000 scar on the Treasury. For another, the cotton producers (who got 1,951,704 bales for cooperating in the 1933 plow-under and pooled it) think that owners of cotton on which the government loaned 12¢ a pound got the best of it.

In any event the so-called Producers' Pool (Siamese twin of the Commodity Credit Corp. which has made all the crop loans) has finished liquidating the cotton which the AAA inherited from the Farm Board. This was originally 2,494,311 bales which stood the government anywhere from 16 to 26¢ a pound. The Secretary of Agriculture "bought" it for 5¢ a pound. He, in turn, gave cotton producers options on it at 6¢ (when the market was about 9½¢) to take part in the 1933 plow-under.

Subsequently some 131,828 producers took up options on 493,673 bales which went to market. The remainder was pooled and Oscar Johnston put in charge of its disposition. Next came

## —And More Second-Quarter Earnings

(In thousands—000 omitted)

Company	1933	1932 Change
Air Reduction	\$1,254	\$1,902 +52
Allis Chalmers	577	1,334 +131
Bethlehem Steel	1,801	3,431 +91
Borg-Warner	1,627	1,883 +16
Chrysler	9,496	18,020 +90
Coca-Cola	5,972	5,478 +50
Commercial Credit	1,860	2,894 +56
Commonwealth Edison	2,142	2,201 +5
Continental Oil	2,193	2,242 +5
Curtis Publishing	1,994	2,521 +16
DuPont de Nemours, E. I.	11,353	23,978 +111
General Cigar	327	292 +11
General Motors	52,219	88,108 +69
Hanna, M. A.	527	474 +10
Hercules Powder	747	967 +30
Kelvinator	712	893 +26
National Biscuit	2,385	3,088 +29
National Cash Register	501	817 +63
National Distillers Products	1,560	1,411 +10
National Steel	2,948	2,806 +5
Procter & Gamble	5,526	4,244 +20
Revere Copper & Brass	123	499 +304
Schenley Distillers	1,443	1,327 +8
Spiegel, May, Stern	744	912 +23
Tide Water Associated	2,146	2,572 +20
Union Carbide & Carbon	5,333	7,937 +49
United Gas Improvement	7,189	7,136 +1
U. S. Gypsum	1,240	1,805 +46
U. S. Steel	4,762	12,862 +6
Wrigley (Wm.) Jr.	2,011	1,888 +6

d—Deficit. † Loss to profit.

Business Week

**DURABLE GOODS LEAD** — Second-quarter reports generally surpassed the first-quarter earnings of this year and also made a better showing against a year ago than the first quarter. Durable goods led the way. (In most instances, no provision has been made by these companies for federal tax on undistributed earnings.)

the 1934-35 loans of 10¢ on new crop cotton, and AAA decided producers' pool members should benefit, so they got checks for 4¢ a pound over their 6¢ purchase price. Then there was the 12¢ loan program on the 1935-36 crop (which brought in only 60,000 bales) and the pool members got another 2¢ a pound from Washington.

Rising markets this year were like a check from home to the Producers' Pool. Six weeks ago practically all the odds and ends had been sold; now Mr. Johnston announces his job is done. All that remains is to send participating producers any balance which may accrue to them—and there probably is a little, thanks to the rising markets.

Complaints of these participants are based on Commodity Credit Corp.'s recent policy of releasing the 12¢ loan cotton (free of carrying charges) to owners a quarter of a cent under the

SAVES YOU EY? Because it reduces loss, not only in total but of structural steel the Roberts facts substantiate in total building permitting construction

100% FLEET AVAILABLE. Floor provides the easy-to-use electrical device may bring. Floor is a part way of go



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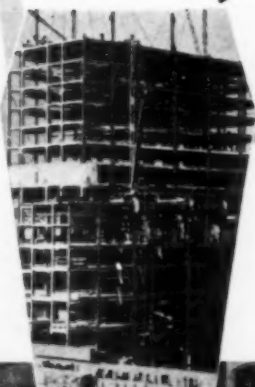
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Two workmen can lay Robertson Steel Floor sections easily. The sections are light, quickly handled and speedily installed. No floor forms. No temporary planking. No delays. Four hours after floor crews begin to lay Robertson Floors, it has been proved by experience that other trades can begin work on them, can stack materials on them safely and conveniently. Result? Quicker completion of the job. Quicker occupancy. No interruption of regular operations during modernization. Money saved, all around.

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**STEEL FLOOR SYSTEM**

market. Early in July, when prices were soaring, it meant a nice bonus for producers. Prices were fixed on the previous evening's close. Next day the market might be up 30-40 points; owners withdrew their cotton, paid their loans, and sold at the market. Producers' Pool members didn't get a crack at that bonus, but their only appeal seems to be to Congress.

Incidentally, the CCC announces that it released some 389,061 bales last month—on top of 1,015,831 taken out by owners in the spring. That leaves the government within 2,500,000 bales of being out of the cotton business, according to most estimates. CCC declares that it will release no more until the new crop is in; there is also a well defined opinion in Washington that there will be no loan offer on the 1935-36 crop because so few producers played ball last year (and the market is better for producers now than a year ago).

## Surcharges Licked

**ICC refuses extension into '37, but roads will try to get individual increases.**

WASHINGTON (*Business Week Bureau*)—Rebuffed by the Interstate Commerce Commission this week in their plea to freeze into permanent rates the emergency freight surcharges expiring Dec. 31, the railroads are planning to go about it piecemeal, by publishing and filing individually all tariffs incorporating the surcharges.

When the commission July 1 refused to permit extension of the surcharges for more than six months, the roads were informed that they are not de-

barred from adopting this much more cumbersome procedure. All rates so filed will be subject to suspension, pending investigation.

Unless the commission consolidates such suspension proceedings in one case for disposal once and for all, its docket will be cluttered up for a couple of years.

## Policing Pilots

**They will be tested for blind flying, under new rules.**

DAYS of unrestricted liberty are over for private planes. The Bureau of Air Commerce has just issued the fourth installment in its new regulations for the control of air traffic. It requires all non-airline pilots who use the airways to take tests and be rated for their proficiency in instrument flying.

Pilots holding a transport, limited commercial, or private license, who have had 200 hours of solo flying and 20 hours of instrument flying instruction and practice, will be permitted to qualify. But they must make a test flight in a hooded cockpit in the presence of an inspector and show their skill and ability to fly without menace to other traffic on the airways.

Other regulations include:

(1) Air traffic control stations at Newark, Cleveland, and Chicago, to which departing pilots submit "flight plans" and periodic progress reports, to insure adequate spacing between planes along the airways. These stations were formerly operated with airline personnel. Other stations are to be set up at Washington, Pittsburgh, Detroit, San Francisco, and Los Angeles.

(2) Designation of 98 inter-city air routes, now flown by scheduled airlines, as civil airways. The bureau will exercise control over a lane 50 miles wide from point to point.

(3) Provision for the qualification of all pilots who make intentional instrument flights over civil airways under conditions of poor visibility. Pilots or aircraft not capable of navigating by instruments will not be permitted to travel the airways when the weather entails blind flying. This order also establishes levels of odd thousands of feet (that is 1,000, 3,000, 5,000, and so on) for all eastbound planes, and levels of even thousands (that is, 2,000, 4,000, 6,000 and so on) for all westbound planes.

The bureau took on the three initial traffic control stations on July 6, but the other regulations become effective Aug. 15.

## Bucket Shop Blues

**SEC and Canada cooperate to erase border as a protection for sell-and-switch boys.**

CROSSING state lines used to be enough to get the bucket shops in the clear, but now not even an international hop-skip-and-jump will turn the trick. The Securities and Exchange Commission and the Canadian stock regulators are busy erasing the boundary line in still another major respect.

It's a problem they have been trying to lick for years on both sides of the frontier. But the sell-and-switch boys were so agile they made a flea look like a cigar store Indian—they could hop across the border before a process-server could get his feet off his desk.

Behind the latest cooperation between the United States and the Dominion is one of the SEC's fast workers—John T. ("Tim") Callahan, one-time Yale footballer. He's been covering a lot of ground on roving assignment for SEC. His first deal in Canada was with the Ontario Securities Commission. With the two commissions in accord, work began at once. They cracked down on a Toronto house which had been selling mining stocks into Buffalo and Detroit; the house needed only an official hint that it was on the spot to fold up its tent.

SEC authorities are reticent as to whether this latest move has particular relation to the admittedly bothersome securities situation in Detroit (*BW*—May 30 '36, p15). But "Tim" Callahan was the investigator who went to Detroit for the SEC, who started a number of suits out there when the Michigan blue sky authorities threw up their hands. His deal with Ontario looms as a handy instrument if not a direct result.



SCHEME NO. 3—That is the Pennsylvania Railroad's shop term for this arrangement of reclining seats, wide windows, indirect lighting, and air conditioning, all of which are put together in a new coach designed for through overnight service. This car and two others of special design are being tried out between New York and Washington to get passenger reactions. Seats revolve or tilt at the touch of a button.



## Canada Helps Empire

Now only British ships can sail between Canadian ports. U. S. has a similar law.

CANADA's new shipping act became a law Aug. 1 and as a result American vessels can no longer carry passengers or cargoes between two ports in the Dominion. Business hereafter will go to vessels flying the British flag. The United States has long given a similar protection to American ships, which monopolize our coastwise business.

Vessels in the Great Lakes services are primarily affected, especially those carrying grain between Port William and Buffalo, whence most of the grain is transhipped to Montreal for shipment to other parts of the British empire.

Shipping men say the move is only the first of several which will be made by members of the empire as a result of pressure from London. There is a great deal of pressure from British shipping interests to reserve the Australian and New Zealand services to British vessels. At present, the Matson Line, operating from San Francisco by way of Honolulu with fast, modern vessels, is carrying the cream of the business between the Pacific coast and the British South Seas. Recently the Japanese have inaugurated a new freight service between Japan and Australia with 21-knot vessels—the fastest cargo ships in the world.

Britain is bargaining buying power for privileges of one sort or another throughout the empire. Canadians benefit primarily from the present move, but it is a part of a larger measure which will help all British shipping.

## Boost French Co-ops

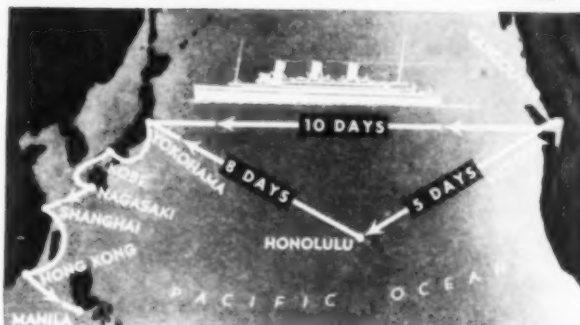
Arrival of Roosevelt's commission coincides with Premier's aid to wheat group.

PARIS (*Business Week Bureau*)—President Roosevelt's commission surveying European cooperatives is arriving in France just at the moment when French cooperatives are being pushed into the limelight by the Blum government.

Agricultural cooperatives have been common in France for a long time. Primarily, they are marketing co-ops, though they have sometimes been formed especially to handle threshing on a cooperative basis, or to purchase fertilizer. Much of the country's wheat has been handled by distributing cooperatives for many years, but there is a greater number of dairy cooperatives, though all of them are small.

Government offices estimate that 60% of the country's wheat is marketed through cooperatives, about 40% of the dairy produce, 20% of the wine and

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# HOW TO USE PSYCHOLOGY IN BUSINESS

by DONALD A. LAIRD

Rivercrest Laboratory, Hamilton, N. Y.

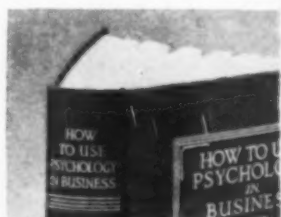
Knowing what is in this book is as important for smooth success in business as knowing the rudiments of merchandising. Here is a clearly written presentation of what the average business man should know about psychology and what it can do for him every business day. The book shows him how he can analyze, understand and develop human personality in himself and in others and how he can utilize this information for more satisfactory and profitable solution of everyday business problems.

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grape products, and 5% of the fruits and vegetables.

It was the wheat cooperatives which focused new attention on the movement recently when the government announced in its original Wheat Administration bill that it would have the entire wheat crop marketed through the existing cooperatives, possibly suppl-

mented by new organizations set up in regions where the movement had not developed alone. The Senate, reflecting the more conservative elements in France and considered always to be a fair barometer of farm opinion, balked the measure until it was amended to allow private trading in wheat, though on a price scale fixed by the government.

## French New Deal—And Ours

**There are marked similarities and some differences. Bank of France is reformed, credits are granted, and wheat and coal are price-fixed.**

PARIS (*Business Week Bureau*)—France's New Deal is beginning to take shape and must be as interesting to Americans for its similarity to various Roosevelt measures as for its effects on French business.

The Bank of France, a privately owned institution since it was founded in 1800 by Napoleon and with stock now held by more than 40,000 shareholders, has been remodeled into an institution in which all the stockholders have a greater voice but the government has control. In place of the old Regency Council of 15, chosen by the 200 largest stockholders, the bank will be directed by three officers and 23 representatives, three of whom are elected by all stockholders (each having a single vote), five of whom are chosen by the Finance Minister from lists proposed by such groups of citizens as the organized consumer cooperatives, labor unions, and employers, five of whom will come from various credit and banking organizations, and 10 of whom will represent the "collective interests of the nation."

### Arms Plan, Another Billion

Government control of the bank is a necessity in financing various reforms planned by the Blum government. Besides the 20-billion-franc public works program which is to extend over the next five years, the government will need to have from three to six billion francs to buy and carry wheat under the new farm control plan. When the armament factories are nationalized, at least another billion will be required.

Control of the country's purse-strings will be essential to other temporary relief bills now under consideration. Four of them directly affect business:

(1) The Popular Banks (a mutual bank and savings system controlled by the government) are authorized to extend, after local credit investigations, to industrial or commercial companies short of liquid funds as a result of the new social legislation, credits not to exceed 12% of the total payroll for the year ending June 30, 1936. The loans

are in the form of three-month promissory notes twice renewable. Rate of interest will be the discount rate of the Bank of France plus a commission of 0.20% for the Popular Banks. The Bank of France is authorized to discount these bills.

(2) Another bill now before the Chamber of Deputies provides that in case a company can prove that 40% of its sales have been for export in the year ending in June, loans can be secured up to an amount not to exceed 2% of the value of exported semi-finished products, and 4% of exported finished products. All companies and trades already receiving government aid are excluded, as well as members of international cartels fixing prices or trading with French colonies or protectorates. Rates of interest cannot exceed the Bank of France discount rate but may be reduced as low as  $\frac{1}{2}$ % a year.

(3) Under a third bill, the Department of Commerce is authorized to guarantee French exporters against political and monetary risks caused by the inability of a foreign debtor to meet his obligations due to war or revolution, when a general moratorium in his country allows or forces him to default, or when he is unable to transfer his debt into French currency due to legislative measures by the debtor's country. The government guarantee cannot cover more than 80% of the risk, and the contracts are to provide for complete settlement in a maximum of 18 months, the guarantee to begin six months after the insured transaction is made. Premiums will be fixed by a special commission. The total amount of risks insured this year will be not more than one billion francs.

(4) Because of the volume of commercial accounts blocked abroad, a fourth relief bill authorizes the government to give its guarantee for an amount not in excess of 80% of the nominal value of the credit voucher which the French exporter holds from the clearing center between the two countries. The government guarantee is valid for one year and renewable five times, so



**THIS IS A TELEPHONE**—Thousands of Russians are making their first acquaintance with telephones, through automatic dial instruments set up in Moscow. The huge symbol at top of booth helps customers locate the stations quickly.

extending the guarantee to a maximum of six years. The guarantee will be given on the advice of the Credit Insurance Committee and against payment of a premium of one-tenth of 1% a year.

Two bills definitely put the government in business on a long-term basis. A National Wheat Administration has been created which will fix a minimum price for wheat, and control its production and marketing. Cooperatives will be formed in districts into which the country is being divided, and they will be provided with adequate warehousing facilities to buy the crop and finance it to market. A last-minute amendment allows wheat to be sold privately provided the minimum price is maintained.

### Burden on Efficient Mines

To bring relief to the coal mining industry, the government plans to bring all coal mines under the control of a special commission. Every mine will contribute to a compensation fund total proceeds from sales of coal, the price of which will be fixed by the government from time to time. High-cost mines will be kept in operation at the expense of more efficient mines.

Just like the Germans and Italians, all Frenchmen are now obliged to declare foreign securities holdings. A new decree law gives Premier Blum the right to change import duties and abolish import surtaxes.

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# Business Abroad

**Europe avoids going too far in taking sides in Spain because no one is really ready for war now. Devaluation talk revives as France and Germany see need for resumption of normal trade.**

EXCEPT for extensive foreign support to both sides, the Spanish government would have defeated the fascist rebels by now, simply through the force of overwhelming numbers. Foreign intervention can provide just the international incident necessary to set off a European war but *Business Week's* European correspondents universally believe that such an incident will be avoided now. Only immediate and spectacular trade recovery, however, can prevent Europe from settling into two sharply defined and bitterly opposed camps—fascist and socialist.

## Germany

**Berlin discusses prospects of open devaluation this fall, and new arrangements to restore normal trade with United States—possibly with all countries.**

BERLIN (Cable)—Two topics have been a center of interest in Germany this week.

The first is the ruling that Germany will not accept ASKI marks in payment for exports to the United States, and that barter deals with Americans will not be permitted in the future.

The second is that the visit to Berlin of the new and capable governor of the Bank of France, and the expected return visit of Dr. Schacht to Paris, may lead to open devaluation in Germany.

The two moves are tied together by economic necessity. Germany has always sold a tremendous amount of goods to the United States, but never as much as Germans have been in the habit of buying. Important exports are manufactured goods, scientific instruments, cameras, and optical goods. In return, Germans were in the habit of buying raw materials and food products—cotton, fruit, lard, and copper. Con-

trolled trade during the last few years has cut business in both directions, and somewhat changed the character of the trade.

When the United States refused to negotiate a new trade agreement with Germany some time back because the Germans gave other foreigners better terms in the settlement of commercial obligations through their clearing agreements, trade dropped to new lows and the Germans were considerably annoyed that they had allowed the agreement to lapse. When the United States more recently imposed countervailing duties because Germany was "dumping" goods abroad, Berlin sent a trade mis-

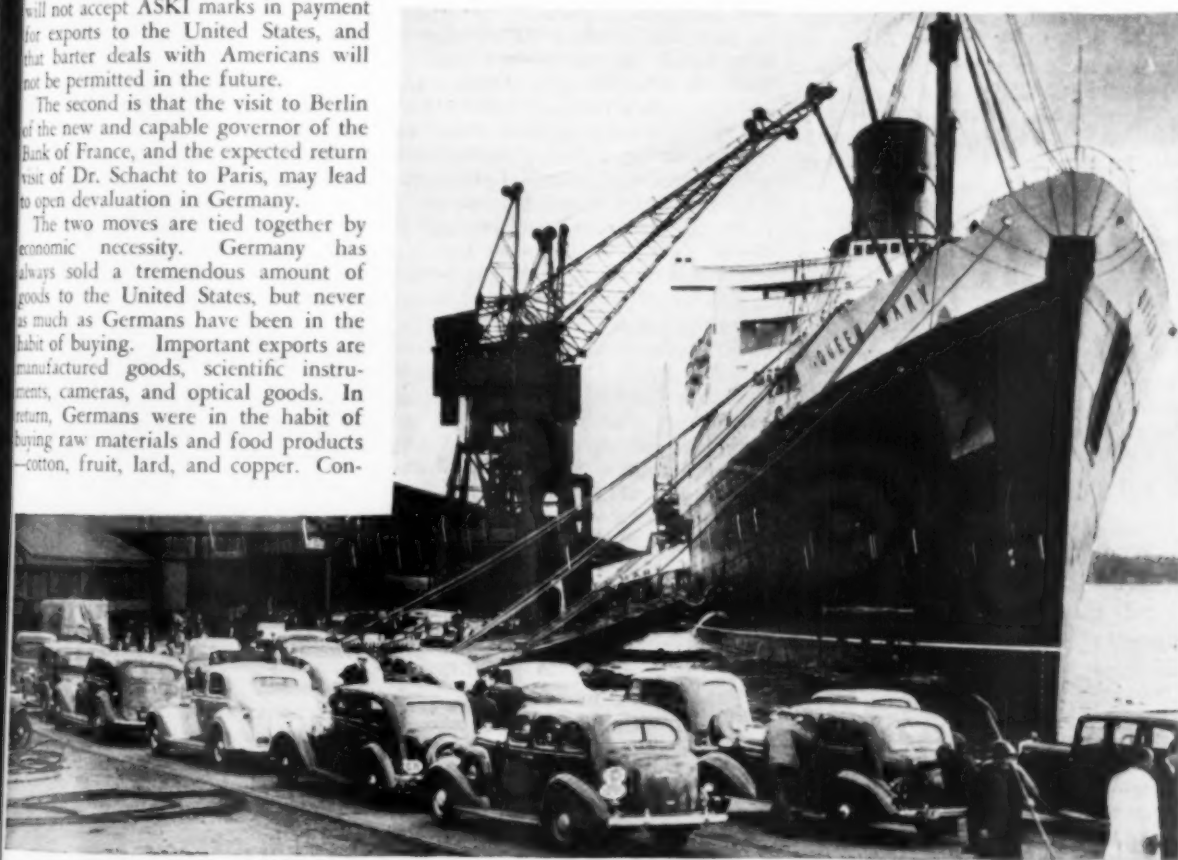
sion to the United States to see what could be done to clear up the difficulties.

This week's move to end sales of goods for ASKI marks (which are marks on which the discount ranges from 20% to 40%), and to stop barter deals is made to meet the demands of Americans that German business be placed on a straightforward basis.

Because of the volume of business involved, and because Germany's foreign obligations have been considerably reduced, Germans were inclined to believe that the move might lead to open devaluation of the mark sometime this fall to somewhere near the figure at which it has been quoted in the "blocked" market.

If France is preparing for devaluation, as some moves this week would indicate, it is entirely probable that Germany will move with the French. But there is a group in Berlin which has been expecting French devaluation for a long time which believes that Germany may move independently this fall whether or not France finds it wise or necessary to take the step.

Industrial activity in Germany continues to expand, though earning power is not improving. Public disappointment over this tendency is evidenced in the slump in industrial share prices on the



THEY KEEP TO THE RIGHT—Great Britain's Junior Car Club, devotees of small-car driving, are getting experience in driving on the right-hand side of the road as they tour part of

the United States and Canada. This group of cars and drivers is to be followed by two more contingents, each making the 2,000-mi. loop to include Montreal, New York, and Detroit.



Bourse this week following modest dividend announcements.

## Great Britain

**Business is brisk; trade is touching new peaks. Duty on electric hand lamps will be raised.**

LONDON (Cable)—Last week British railways augmented their normal services by 2,000 trains and between Friday morning and midnight Saturday over 12,000,000 holiday makers had traveled to coast and country by rail. But expenditures, large as they were, fell below expectations because of rainy weather.

There is a spirit of optimism in London in spite of the disquieting reports from Spain and the fear that international complications will develop. Stock markets are doing a good business. Retail trade is beginning to lag slightly, but stores still report good earnings. Fifty Schilling Tailors, Ltd., show a spectacular increase in profits for the third successive year. In fact, the entire ready-made garment field is doing a big business.

The Sheffield district of Yorkshire reports a shortage of coal for coke making. This, with the exceptionally heavy demands for hard steam coal for the iron and steel trades and home railways, has necessitated an increased coal output quota—from 57½% to 60%, and an increased inland sales quota from 57½% to 60%.

Import duty on electric hand lamps is to be raised. There has been a remarkable increase since 1932 in imports of both hand and cycle lamps. These have been sold to the wholesale trade well below cost of production of competitive articles made here. Present duty is 33½% on cycle lamps and 20% on other portable lamps. The additional duty recommended is to be at such a rate as—with the rate of the general ad valorem duty—will amount to as much as 6d on each cycle lamp, and 1s 2d on hand lamps, excluding miners' lamps.

## France

**Senate balks most radical New Deal measures, but business is affected by those passed. Autorail cars boost rail revenue.**

PARIS (Wireless)—The contest between the Senate and the Chamber of Deputies continues this week. The Chamber has introduced and pushed the most radical of the New Deal legislation (page 40), and the Senate has been the restraining force—at times demanding important amendments, and at other times threatening to bolt the whole New Deal program. The more radical members of the Popular Front attacked the Senate this week for the curbs they are trying to effect, but the Senate has held stoutly

for its right to oppose any measure. The Senate is undoubtedly hoping to prevent extreme measures until such times as public support for the Blum government drops to a low point, when it will precipitate a fall of the government. Knowing Frenchmen fear that the radicals will brook no such interference and will break into open fighting against parliamentary government.

Foreign interference in the Spanish revolution this week threatened to create international complications until Britain took sides with France in the effort to maintain strict neutrality. It seems likely now that other nations will cooperate because—more than for any other reason—none is really prepared to fight yet.

### Farmers Unhappy

Wheat prices rose 15% this week on the prospect of a fixed minimum price for the commodity under strict government regulation, but farmers are still gloomy over the outlook for sufficient income to meet the higher cost of living.

Of the longer term developments in France, considerable attention has turned recently to the rapid increase in the number of autorail cars which have been installed on the French railways, and the increased profits which they have made possible.

France has done little with streamlined trains, but about six types of autorail cars have become popular. Most of them operate on gasoline or Diesel oil. They are made of light material, and have engines developing from 250 to 500 hp. They are being used extensively on lines to the resorts where traffic is sporadic, and freight is likely to be too light to carry the cost of the service. First class fares are charged. Because few people travel first class since the war, this virtually means a supplementary fare as far as rail revenue is concerned.

On the line from Paris to Deauville, traffic has doubled since the autorail cars were introduced. On the Paris-Lille line, traffic has increased 40%. Average increase on all lines where the new cars have been introduced is 30%. Under these conditions it is not surprising that the railroads are cooperating in experimentation with new types of cars and engines.

## Latin America

**Goodyear will produce rubber in Costa Rica. Argentina will benefit from higher grain prices. Cuba may resume interest payments.**

News from four Latin American countries this week has a direct bearing on United States business.

Cuba is seriously studying the \$80,000,000 of defaulted public works bonds held in the United States. Interest arrears amount to about \$15,000,-

000. Prices on the bonds in New York have risen steadily on the prospect that interest will be resumed and at least partial settlement made on payments of principal.

### Cuba Buys More Lard

Farmers are already benefiting from improved business with Cuba. Exports of lard to Cuba in June reached a total of 3,110,172 lb., in contrast to exports in June 1935 of 1,796,052 lb. On Sept. 3, the Cuban government will eliminate the consumption tax of 14¢ a pound on American hog lard and at the same time the import duty will be reduced from \$4.10 to \$3.20 for every 100 kilos (220 lbs.).

Costa Rica figures in the news with the announcement that Goodyear Tire & Rubber Co. has secured a concession on a huge rubber plantation in that country and is preparing to plant 1,000 acres in seedlings this year. The plan follows a successful experiment with a 1,000-acre tract in Panama.

From Mexico City it is announced that the American Smelting & Refining Co., is preparing to spend nearly \$1,500,000 on expansion and development of its Mexican properties.

At the same time, it is announced that a group of business leaders from Coahuila, Nuevo Laredo, and Durango provinces are forming a syndicate which will exploit the rubber resources of the region.

The drought in Canada and the United States has improved the business outlook for Argentina which hopes both for higher grain prices and a larger grain crop when the harvest season comes around. Argentina succeeded in building up a favorable trade balance with the United States following the 1934 drought because of heavy shipments of grain and fodder.

## Soviet Union

**Russians push highways to European frontiers; improve all transport services; will buy some rail equipment in Britain.**

MOSCOW (Cable)—The Soviet Union has set itself a new tempo in preparing for the international complications which leaders now fear may develop at any time. Most striking news this week is the report that two stretches of highway—one running from Moscow to Minsk near the Polish border, and the other to Kiev which is within striking distance of either the Polish or Rumanian fronts—are being rushed to completion. Whole sections of these roads are more than 200 ft. wide, and construction is proceeding on as many as 10 sections at one time.

Transport is evidently considered the most important point in the present preparedness program, for the railroads are

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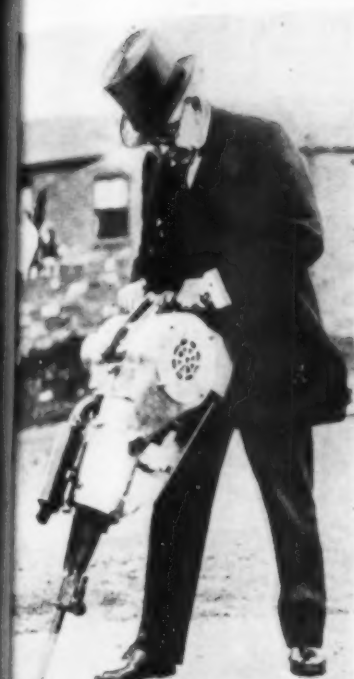
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Wide World

**AS THOUSANDS CHEER**—Sir James Stewart, British nerve specialist, demonstrates how the new Warsop silent road drill works. A market for such hammers is indicated in New York City, where mid-town repaving work is being halted at 4 p. m. each day in response to protests by nearby tenants.

working at fever heat to improve their service and complete new strategic lines. It is reported in Moscow that an important part of the new British loan is earmarked for purchases of railroad supplies and equipment. The loan itself is interpreted as British bargaining for Soviet cooperation in time of trouble.

The railroads continue to make striking progress under the supervision of Commissar Kaganovitch. More than 80,000 new freight cars and 1,400 locomotives are being added to the system this year. Of a total budget of 78,000,000,000 rubles, 5,500,000,000 rubles have been assigned to the railroads.

#### Russia's De Luxe Trains

While last summer during the course of reorganization of the lines the number of passenger trains was sharply reduced to make way for freight, Kaganovitch now boasts having increased the number of passenger trains from leading terminals by 100%, simultaneously providing better facilities. Trains on long distance runs are now equipped with radios, showers, and club cars.

The ability of the transport system to cope with the needs of the country is revealed succinctly in the daily newspapers in Moscow this week. Whole trainloads of ice are being rushed to Odessa during the present heat wave to replenish cold storage supplies.

## Far East

**Japan makes new progress in building industrial control in China. Foreign companies withdraw from Manchukuo.**

SPECTACULAR developments are taking place in China which indicate beyond a doubt the rapidity and thoroughness with which the Japanese are planning and carrying out their economic penetration of that part of the world.

By the end of this year Japan will have spinning mills in North China with a capacity of 790,000 spindles and capable of producing sufficient quantities of cotton goods to supply the huge local market and have a surplus for which a market must be found in Central and South China. Only two large Chinese textile mills in Tientsin are still controlled by the Chinese, and the Japanese are already negotiating for their purchase. Even in Shanghai, the Japanese threaten to dominate the industry within two years.

After capturing several large Chinese orders for railroad equipment and steel bridges, the Japanese have announced now that they are planning to start a steel industry in China, with an initial plant in Tientsin.

Finally, they are treading on both British and Chinese toes in purchasing a controlling interest in the Tomei Fire and Marine Insurance Co. at Canton, in South China. The company was formed 20 years ago with both British and Japanese participation. It marks the entrance of Japan in an aggressive manner into an important field of investment, and penetration of a region still sternly anti-Japanese.

#### Wool from China

Tokyo's announcement that the Nipponese will attempt to make greater use of artificial wool so as to break the dependence on foreign sources of wool supply is taken less seriously by knowing textile experts than the various plans to expand the production of wool in Manchukuo and North China. This week the Japanese Manchurian and Mongolian Woolen Co. announced that it would construct a woolen factory at Kalgan, center of the sheep growing region northwest of Peiping.

In contrast to these reports of Japanese expansion in China, is the release from the Manchukuo Ministry of Finance indicating the contraction of foreign business in North Manchuria:

#### INVESTMENTS OF FOREIGN COMPANIES

	Jan. 1, 1931	Jan. 1, 1936
Soviet Union..	¥590,000,000	¥ 8,332,000
Great Britain..	330,000,000	18,019,000
United States..	26,000,000	9,290,000
France .....	22,000,000	2,730,000
Sweden and Denmark ...	1,200,000	3,105,000
Total .....	¥672,200,000	¥41,476,000

The enormous drop in Soviet investments is due almost entirely to the sale to Manchukuo of Russia's share of the Chinese Eastern Railway. Great Britain and the United States have reduced their holdings through the withdrawal of the oil companies and curtailed business on the part of the big tobacco companies. Harbin branches of several important companies also have been abandoned.

## Canada

**Dominion plans new pact with Soviet Union; watches Landon.**

OTTAWA—Chief Canadian interest of the past week was in President Roosevelt's visit to Canada at Quebec, where he was the guest of the Governor-General and was welcomed by Prime Minister Mackenzie King and Premier Godbout of Quebec.

Canada regarded Mr. Roosevelt's coming as a tangible demonstration of the increasing neighborliness of the two countries in trade, business, and other relations under the guidance of their respective heads of government whose sentiments in regard to international relationships are so similar. Canadian newspapers and observers did not attach too much importance to Mr. Roosevelt's statement that he proposed to discuss the St. Lawrence seaway and power project, the 1932 treaty on which was rejected by the United States Senate, and the Passamaquoddy Bay tides power project with the Canadian heads of government. Canadians are presently not much interested in these schemes.

It is considered the visit of the President will do good in a larger way in helping to promote greater interest on the part of each country in the other. Canadians particularly approved of his objection to being called a "foreigner" in this country.

#### Landon Little Known

The visit also stimulated Canadian interest in the United States elections. Here it is understood that the continuance of the reciprocity treaty depends on Mr. Roosevelt's return for a second term. The Republican candidate, Governor Landon, is less known to Canadians than any presidential candidate in recent years.

London's announcement of the new trade deal between Great Britain and Russia whereby Britain secures Russian business by a financial guarantee prompts the suggestion here that Canada should make haste to secure a trade pact with Moscow. It is felt scruples about dealing with the Bolsheviks are antiquated. It is expected Trade and Commerce Minister W. D. Euler will report good prospects for a treaty on his return from Europe.

## New Financing

As a result of the rising trend in business conditions, as shown by the indices, finance executives of many established companies will doubtless feel the need for fresh capital, with which to finance plant and market expansion or the replacement of obsolescent machinery and equipment. Executives of such companies which have no satisfactory investment banking connection, are invited to consult with us when the time has come for new financing.

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## Banks Exempt, So Far

National institutions immune from social security tax. But amendment is planned.

NATIONAL banks are not included under the Social Security Act, but their exemption isn't likely to last long. These points have been established after a full-fledged mystery that had bankers

the country over on edge while half of official Washington denied, declined to talk, or frankly didn't know.

It seems to have started this way: The Bureau of Internal Revenue was reported to have written a letter; some said it was to the Second National Bank in Washington. News got around that Internal Revenue had applied a century-old Supreme Court decision holding that national banks are instrumentalities

of the federal government, exempt from taxes of the social security type.

That rumor kicked up a rumpus. State banks wanted to know how they stood. State banks that are Federal Reserve members thought they had an even stronger argument.

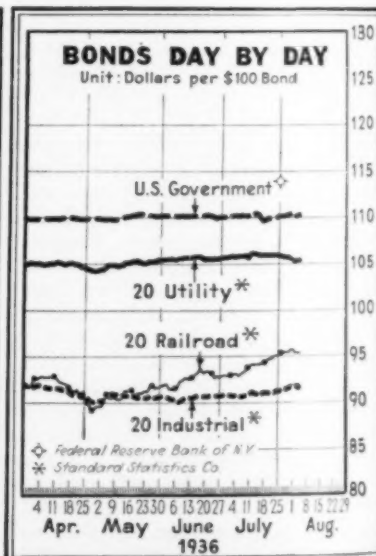
But the Bureau of Internal Revenue didn't at once confirm the fact that an opinion had been given; the Comptroller of the Currency's aides just said their department hadn't made any ruling at all and let it go at that. For 10 days it all went round and round; then Internal Revenue formally ruled that national banks were not subject to the impost, which ultimately is to build a \$45,000,000,000 fund for unemployment and old age.

## What About State Banks?

Nevertheless, the mystery still exists as far as state banks are concerned—are they "instrumentalities" of various state governments? Probably they are, but most tax authorities can see no legal basis for feeling that such status will exempt them from the levies.

There aren't any such doubts about the still youthful Federal Savings and Loan Associations—offshoot of the state-licensed building and loan associations. They have a clear out in the law which set them up: "Such associations including their franchises, capital, reserves, and surplus, and their loans and income, shall be exempt from all taxation now or hereafter imposed by the United States."

And the reason that national banks won't keep their place in the sun for long: Conferences have been on for several days between American Bankers Association top men and the Social Security Board, the object being to frame an amendment putting the nationals into the security picture by name—not omitting them by implication.





# Money and the Markets

**Gain of \$23,100,000,000 registered in shares' value during 15-month bull market. August shows slight recession, but outlook is bright.**

JUST a cool \$3,150,000,000—that was last month's contribution to the value of shares listed on the New York Stock Exchange in their surge to five-year highs. It adds to the nation's financial well-being and carries the total value of the 1,341,445,972 shares listed on the Big Board to \$54,066,925,315.

This is a far cry from the dark days in the middle of 1932, when you couldn't give stocks away, and tells a vivid story of recovery. And the biggest contribution has been made by the bull market of the last 15 months—an advance which has whirled total value of Big Board stocks up from \$30,936,100,491 for a gain of \$23,133,824,824. It isn't quite all pure cream because 15 issues, totaling 37,765,107 shares, have been added to the list; nevertheless, the mixture is many billions richer.

The opening days of August, however, haven't given much indication that this month is going to outdo July. There have been bright spots but most of the time stocks have been laboring under profit-taking. Speculators for some time had been a little worried for fear prices were going up too steadily. The correction was a little slow in developing but it came; now traders are scrutinizing the business picture seeking ammunition for another rise.

## Optimism in Steel

When everything is added up, the outlook for trade and industry seems bright enough—although some market analysts fear that stock prices already discount improvement far into the future. The steel industry is a center of interest; operations continue around 72% of capacity; scrap prices, steel men's barometer, are the highest since February. Electric energy production has sagged only a little from the recent all-time peak. Automobile companies are shutting down to launch new models but Chevrolet reports the second-best July in its history with output of 125,391 units only 3,059 under June's record total. There also was General Motors' 75¢ extra dividend as well as some favorable earnings from the truck manufacturers.

However, a little digging will reveal a few less favorable items. The 1936 drought now is recognized as the worst in history; yet retail lines are going ahead very well; sales of Woolworth for July, \$22,860,525, showed a gain of 13.3% over last year. Rubber stocks sagged on rumors that Ford may start making part of its own supply of tires. Radio Corp. came out with one of the few statements showing smaller net for the first half of 1936. And brokers have a few problems of regulation to worry about.

Arrival in Washington of James M. Landis, chairman of the Securities & Ex-

change Commission, fresh from vacation, refocused attention on the commission's voluminous report on broker-dealer functions on securities exchanges. When he departed about a month ago, it was understood that the commission would take up the problem in earnest on Mr. Landis' return (*BW*—*Jun 27 '36*, p45).

In the interim, the New York Stock Exchange has been busy. Copies of the report have been sent to all members and comments have been requested from all and sundry interested parties. So anxious is the exchange to compile an impressive dossier of facts, opinions and theory that suggestions are not restricted to members. Outside advice is welcomed.

Chief issue is whether brokers should

confine their activities on the floor to trading on their own account (which would correspond to jobbers in London) or execute orders solely for the account of others (corresponding to the London broker). The intricate duties of the specialist—involving trading for his own account, executing orders for other brokers and handling business for his own customers—also are called into question.

Unless Exchange tradition is blasted by new and startling evidence, it is likely that the nation's premier marketplace will resent any changes in accepted methods of doing business—on the grounds that liquidity will be impaired and that practices heretofore have been equitable and need no radical alteration.

## SEC Moves Cautiously

Before anything definite is done, lengthy hearings are likely to be held—so that all sides and all views get an adequate airing. The commission is proceeding just as cautiously in the broker-dealer segregation as it has in respect to over-the-counter brokers, who also seemed destined for reorientation (*BW*—*Jul 25 '36*, p38). This week, at the third annual convention of the National Securities Traders Association in Los Angeles, David Saperstein, director of the trading and exchange division of SEC, assured listeners that before any action is taken on over-the-counter procedure,

## ADDITIONAL BANK LOANS for production purposes through LAWRENCE SYSTEM

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This system creates commodity paper against inventory. It provides additional working capital at slight cost. It enables producers to furnish distributors with ample spot stock—without assuming credit risks. Through it, manufacturers are enabled to hedge against price fluctuations in raw materials.



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Why not consider the resourceful attributes of LAWRENCE SYSTEM in terms of your business? A letter or telephone call will bring you informative details. You incur no obligation. Address department D-1 of any LAWRENCE office.

basic information will be carefully studied by the commission.

The auction block is one market which SEC does not regulate. And next month control of the strategically-located Jersey Central Power & Light will be up for sale. If SEC's right to regulate public utilities were not so hotly contested by the industry, probably it would take a hand. Even so, the commission may pop up with a telling two cents' worth.

Two companies are vitally concerned with J. C. P. & L.—Associated Gas & Electric System, which already owns 32% of the common stock, and Public Service Corporation of New Jersey, into whose intrastate network J. C. P. & L. properties would fit snugly. But Associated also feels that the Jersey Central area would help to integrate its skein along the Atlantic seaboard.

At stake are 712,400 shares of common stock which, if acquired by Associated, would give it 100% control. These shares are the only asset of value

remaining for the debenture holders of National Public Service Corp., once the eastern holding company for Insull. Spirited bidding is expected. Not only may the two power companies bid, but the debenture holders also may try to get the properties.

Associated stands to gain in any event. Besides owning 32% of the common, the company owns about 25% of the National Power debentures. So, if the common is bid up, the Associated share in the debenture pay-off will be enhanced. And, even if Public Service wins, Associated will still have a large minority interest. The date is Sept. 10; the place, Jersey City.

Grain markets this week were wildly erratic—this despite the fact that traders had the clearest picture to date of the drought disaster. Maybe it just means that it is easier for commodity markets to go up when news isn't too specific; again, it is quite likely that prices have gone up so rapidly that selling was bound to increase.

In any event, there were private estimates on the corn crop averaging only a little over 1,500,000,000 bu., off a full 700,000,000 from the government figure for July 1. And there was the Weather Bureau's statement that this drought is "the worst in the climatologi-

cal history of the country." Yet corn backed off sharply from the \$1 a bushel high set at the close of last week before buying began again.

Wheat was equally easily depressed while cotton had some new sinking spells. Cotton traders clearly are very much afraid that the crop will turn out larger than the estimates of a month ago. Yet the carryover has been cut sharply, the New Orleans Cotton Exchange estimates it at 6,995,000 bales, the New York Cotton Exchange at 7,106,000; on Aug. 1 last year (official start of the new crop year) it was 9,041,000 and two years ago 10,701,000.

Commodity markets did not seem particularly worried about the opening of hearings to determine the trend of regulation under the Commodity Exchange Act (BW—June 36, p. 84). Sec. Wallace launched things in person, telling Chicago traders, assembled at the Board of Trade, the aims: To strengthen the exchange system and make it more secure "for those who use it"—the farmer, the miller and the cash grain handler. He indicated that the board won't try to eliminate speculation but will curb it.

Members of the Grain and Mercantile Exchange asked scores of questions on terminology, urged against too rigid interpretation of the act.

## Notice to our 64,014 stockholders

Dividend\* of 45 cents per share will be paid on no-par common stock August 15, 1936, to stockholders of record 3:00 P. M. July 24, 1936, without closing the transfer books.

J. S. Prescott, Secretary

\*58th Dividend

Among the products of General Foods are: Maxwell House Coffee—Jell-O—Post Toasties—Grape-Nuts—Grape-Nuts Flakes—Postum—Post's 40% Bran Flakes—Whole Bran Shreds—Baker's Premium Chocolate—Baker's Cocoa—Swans Down Cake Flour—Diamond Crystal Salt—Calumet Baking Powder—Baker's Coconut—Sanka Coffee—Minute Tapioca—Log Cabin Syrup—Certo—La France—Satina.

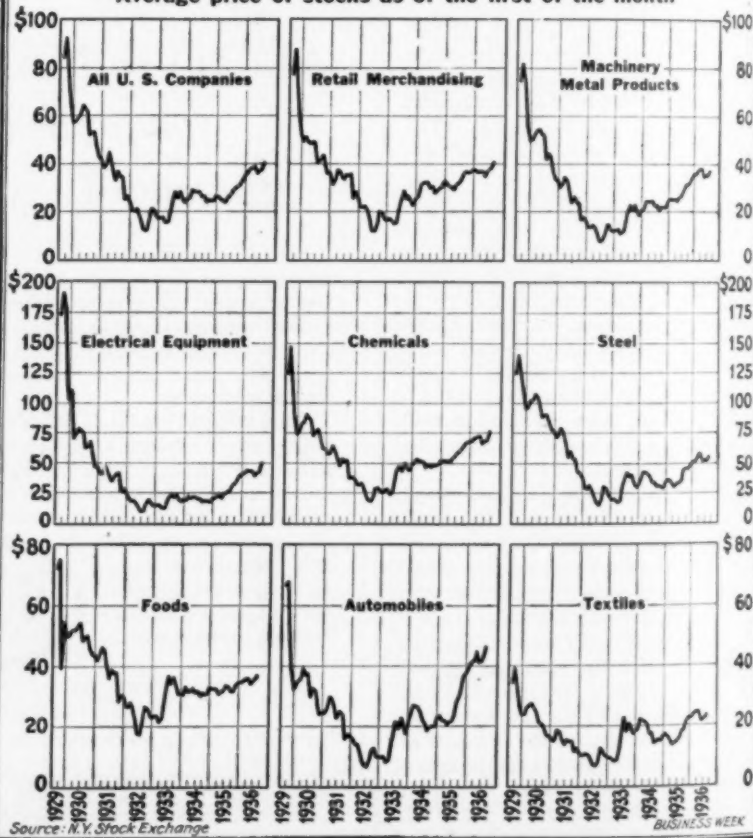
# GENERAL FOODS

250 Park Avenue, New York City



## STOCK TRENDS BY MAJOR GROUPS

Average price of stocks as of the first of the month



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## Editorially Speaking—

PROBABLY the steel companies aren't the first employers to give salt to their employees in hot weather, but they've received a lot of publicity for it and now plenty of other employers are copying them, especially in the Middle West. Salt tablets are placed near drinking fountains in workshops. Some employees haven't any faith in salt tablets as a means of preventing heatstroke, but they take it willingly when it is given to them under the name of sodium chloride.

AND one of our readers, who has solemnly dispensed sodium chloride to his employees, is reminded "of my brief term as surgeon's assistant at Camp Pike during the war. Every day at sick call we had a dozen or so lads who would go AWOL before they would take a dose of Epsom salts, which was all they needed. The regimental surgeon would say sympathetically: 'I know just what you need. I'm going to give you a prescription which our pharmacist will compound for you if he happens to have the rare ingredients on hand.' The prescription was for 3 oz. of saturated solution magnesium sulphate; we kept five gallons of it made up at all times. And invariably the soldier would report that it was far superior in both taste and effects to Epsom salts."

IN enumerating the sins of the New Deal, the Republican platform declared that "the integrity and authority of the Supreme Court have been flaunted." That drew plenty of laughs, and so the boner wasn't repeated in the writing of Mr. Knox's acceptance speech. No Republican measure, according to the written version of that speech, "will flout the Constitution." But we heard Mr. Knox on the radio, and "flaunt the Constitution" is what he said. Sticking to the platform, all right.

POSSIBLY Lew Wallace, motor vehicle commissioner of Iowa and president of the American Association of Motor Vehicle Administrators, is a relative of Gen. Lew Wallace, who wrote that best-seller of a couple of generations ago, "Ben Hur," which reached its climax in a thrilling chariot-race. Anyhow, Commissioner Wallace proposes harmless thrills as "outlets for the delusions of grandeur and ego that beset the 10% of drivers whom the psychologists label as being 'accident prone.'"

These people, it seems, must have the excitement of going through danger and disaster, or at least feeling that they do. Accordingly Mr. Wallace advises them to go on the roller coaster, the chute-the-chute, and the dip of death. Unfortunately these thrills cost too much money. The usual charge is a dime for a ride that is probably over

in three minutes, whereas the cost of owning and driving a car is figured at 4.56¢ a mile. Even if the speed maniacs maintain a 60-mile average, their cost for each three-minute period is only 13.68¢. If there are four people in the car, that means 3.42¢ per head. The roller coaster would cost 10¢ in the same time.

Maybe the automobile industry should start the mass production of amusement park thrill-machinery in order to bring the cost down and divert the psychiatric drivers to their proper recreation.

MR. HOOVER is said to be looking for a good mine to develop. How about the country's Roosevelt lode?

WASHINGTON is the dearest of the 59 cities whose living costs were tabulated in our last week's issue. Mobile is the cheapest, with a mark of 79.4, Washington's being 100. It would be nice if we could live in several places simultaneously, buying our food in Cedar Rapids, Ia., where it costs 87.7; our clothing in Dallas, for 90.4; our housing in Portland, Ore., for 46.3; our household operation in Pittsburgh, for 81; and our miscellaneous in Sioux Falls, S. D., for 71.8.

But as that is out of the question, we'd better settle in Sioux Falls. For whenever we try to figure out where our money has been going, we discover that we're a shockingly big consumer of miscellaneous.

YESTERDAY we met a young man who had just returned from Soviet Russia. He ran short of money and went to a bank to cash a check for \$100. They told him they would have to cable the United States to make sure that the check was good. The cabling charge would be five dollars.

"That's too much," he said. "Can I talk to some official about this?"

They took him to the man in charge of the bank. The official looked him over, asked him several questions, and then shook his head firmly. "No. We cannot cash your check. Not without a further guarantee. We cannot cash your check unless you guarantee it."

"Guaran— You mean—you want me to guarantee it's all right?"

"Yes. We cannot cash your check unless you guarantee it."

So he wrote out a guarantee of his check and signed it and handed it over with the check, and he walked out of the bank with his money.

ONE of the new detective novels is called "Murder Is Easy," and another new detective novel, by another author, is called "Murder Isn't Easy." Possibly it depends on the victim.

## Our Checks are easier to accept

Doling out money to parents who must be dependent upon you hurts their pride as much as your sense of the fitness of things.

There's a better way. An income for life, arranged under a John Hancock annuity plan, assures them of our check every month as long as they live. It puts the whole matter on a business basis and makes everyone concerned feel better.

Let us send you our booklet which tells the retirement income story.



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AUGUST 8, 1936

## Concerning One Company

Long-distance rates are going down again. This means something, in dollars and cents, to business executives everywhere; but it has a much broader economic and social significance than that.

No other great corporation stands in quite the same relation, either to its stockholders or the whole public, as the American Telephone & Telegraph Co. The associated companies of the Bell System earned enough money in the quarter ending May 31 to cover the dividend requirements on A. T. & T. common stock. It was the first time since early in 1932 that the earnings had equaled the dividend. All that time the stockholders had been getting their money, because the company had a surplus.

There are some 650,000 holders of A. T. & T. stock, which has an exceptionally wide ownership among people in the lower and middle income-brackets. We know some who have been putting all their savings in A. T. & T. since they have had anything to save. If they lost their jobs or took a pay cut, their dividend-check was a life-saver. It never failed them. It has been paid to them every quarter, and it has largely come out of surplus. About \$220,000,000 in dividends has been paid out of surplus since the earnings ran short. And at the same time the company has spent huge sums for expansion and improvements, while also doing its utmost to soften the effects of the depression on employment.

Nevertheless, A. T. & T. is more peculiarly anathema to the whole spirit of the New Deal than any other corporation in America. First, because it is a utility—which puts it beyond the pale. Second, because it is more completely a monopoly than any other great service in the country except the Postoffice. Third, because it is successful and rich. And fourth, because it has a vast surplus—which is what the New Deal is setting out to demolish.

All this might be expected to make A. T. & T. more susceptible to demagoguery, more naturally a political football, more inevitably an easy victim of legislative and administrative attack, than any other corporation in America. Yet it has enjoyed an immunity to detraction and destruction beyond any other large utility. The Federal Communications Commission

is digging into its affairs, having set hundreds of men at work on the records in the various Bell offices; but the public has refused to get excited.

The reasons are plain. A. T. & T. has always gone on the theory that by delivering uncommonly satisfactory service at a low rate, it can increase its volume and profits, and that higher volume will permit further reductions in rates. The new long-distance reduction, effective Sept. 1, is an example of this. Moreover, A. T. & T. has a social-minded public policy that is frankly and persuasively kept before the public.

From which state of affairs every great corporation, though it may not be able to do as good a public relations job for itself, may at least learn a few profitable lessons.

## Escaping Control By the Government

However far the government may go in acquiring a proprietary interest in American business by the various devices intended for that purpose, it will accomplish little in this direction by the foreclosure of loans made to business. For business is escaping in droves from control of government finance.

This has been true in the past. The railroads which borrowed more than a billion dollars from the government during and shortly after the World War have paid all but a few thousand dollars of those loans.

There is a new incentive for such refinancing today. Banks, railroads, and other corporations are paying off their debts to the government as fast as private financing can be arranged. In many cases, banks are taking over large corporate notes from the Reconstruction Finance Corp. and holding them in their portfolios until a favorable season for refinancing arrives. The next 12 months should see the

bulk of these loans back in private hands.

In the war days and the reconstruction period, federal loans were intentionally temporary. The government was financing production in 1917 and 1918 and recovery in 1921. In our recent post-panic financing, however, the government immediately took a paternalistic attitude in its investments and exercised proprietary rights whenever possible. Big advances were made to solvent banks under a contract which gave the government the right to reorganize personnel. This right was promptly exercised. Much the same experience was had by utilities and other corporations. Now these advances are being repaid at a rapidly accelerating rate. Apparently there is no need to fear that federal credit will enable the tentacles of government to hold any important business for long.

## Wooden Wool As A War Preparation

Japan is now trying to do the same sort of thing that was once done to her. Just as the world very largely freed itself of dependence on Japanese silk, by establishing rayon as a satisfactory substitute, so Japan is now trying to free herself of dependence on foreign wool by making a substitute out of wood fiber. But there are important differences in the two efforts. Wool, unlike silk, is not a luxury. It is a necessity, and therefore of the highest importance to a nation preparing for a great war. And for the same reason Germany and Italy are also struggling to devise substitutes for wool.

Japan's effort has recently been stimulated by her desire to retaliate for the sharp increases in Australian tariffs on Japanese goods. She has threatened not to buy Australian wool. But she must buy it; there is no other suitable source. In the next few years she may develop wool production in the Chinese territory she has seized, and ultimately free herself from complete dependence on Australia. Meanwhile, like Germany and Italy, she will work away at her fiber substitutes. These, though of poor quality and poor durability, may do in a pinch; especially when mixed with considerable amounts of natural wool.

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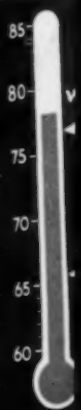
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